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STEVEN P. ADRAGNA

high frontier: the next four years
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# TECHNOLOGY AND THE DEFENSE OF EUROPE

By Steven P. Adragna

Conventional defense has been the subject of growing interest within the NATO Alliance of late. A variety of factors have combined to place growing pressure on Alliance political leaders to enhance conventional capabilities rather than to devote ever more resources to nuclear systems. And while there have been repeated calls for increased conventional capability within the Alliance since its inception, the issue has recently taken on new importance and embraces several new and significant considerations. NATO has traditionally relied upon its technological advantage to offset Warsaw Pact numerical superiority in conventional forces. However, the achievement of nuclear parity of "essential equivalence" in strategic strength between the United States and the Soviet Union during the 1970s places a great burden on the conventional leg of NATO's own "triad" in deterring a Warsaw Pact attack, conventional or otherwise. It is generally recognized that such deterrence cannot be accomplished by attempting to match Pact forces tank for tank and plane for plane, nor does it appear necessary to do so. As a defensive alliance with more sophisticated technology and a greater resource base than the Warsaw Pact, NATO has the ability to develop and deploy conventional forces that would both provide an enhanced deterrent to Soviet aggression and make the Alliance somewhat less nuclear-reliant.

There are a number of reasons for the current interest in improving NATO's non-nuclear capabilities. The most logical and forceful of these reasons are:

— the desirability of raising the nuclear threshold in light of public concern over the role of nuclear weapons in Alliance strategy;

— adverse changes in the balance of military force between NATO and the Warsaw Pact, suggesting that improved conventional capability may be desirable to enhance the credibility of NATO's defense posture;

— technological advances which are seen by many as making dramatic improvements in conventional force capability possible. (1)

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Many analysts contend that a less nuclear-reliant NATO strategy makes sense both politically and militarily. It is almost universally recognized that if the Alliance is to seek to reduce its reliance on nuclear weapons, it will be necessary to develop a stronger conventional capability that is credible, affordable, and feasible.

Thus, several critical issues must be addressed in the course of determining the future role of conventional forces in NATO's deterrence strategy: "How much is enough" in conventional capability to maintain deterrence without threatening the early first use of nuclear weapons? To what extent would improved conventional capability increase the prospect for a protracted or regionally limited conventional conflict in Central Europe?; Is the Alliance prepared to devote additional resources to new conventional forces?; If additional resources are not made available, what trade-offs or reorganization of priorities are most wise or make most sense?; What implications would a more technologically advanced conventional deterrent have for the Alliance?(2) These and other questions are at the heart of the high technology debate, and need to be examined thoroughly before any type of conclusion can be reached. Also, it would be prudent first to consider the nature of technology itself and its applications for defense.

**Technology as a Weapon**

Technological advances have always had a dramatic impact upon the way in which military forces have conducted their affairs. This is particularly true in the case of this century's two world wars. Historically, military establishments often failed to take advantage of new advances in technology, except in those instances where technology provided a specific answer to a specific problem, and military thinkers were obliged to seize upon it (e.g., the development of chain mail to counter the arrow and sword, the siege engine vs. the castle, the musket vs. the sword). The twentieth century, however, has witnessed the evolution of a different approach to the development and application of new technologies for military purposes. Most experts now agree that the development of technology must be fostered, and on occasion driven along, in the interests of national security.

In a pithy, insightful analysis, Kevin Lewis ably summarized the most frequently propounded pros and cons of intensive

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technological sophistication. Those who argue that, for a number of reasons, current approaches to technological innovation result in an increasingly incapable military and therefore need to be reformed generally hold that:

> 1) Greater sophistication in weapons design drives up the cost of our military hardware; therefore, fewer and fewer weapons are procured over time. Given the current and probable future size and mix of defense budgets, we may in fact field too few weapons to mount an effective defense.
>
> 2) Similarly, the complexity of the systems that are procured make for problems with reliability, availability, and maintainability. More complex weapons also may require higher-quality and, therefore, increasingly expensive personnel for their maintainance and operation.
>
> 3) Even if advanced technology weapons do perform as promised, the irresistible force of sheer numbers can still overwhelm and defeat them.
>
> 4) The allure and cost of fancy gadgets perverts the acquisition process itself. Mistaken technological expectations and spiraling costs are said to tempt us to avoid clearly defining requirements, adhering to sound acquisition plans, realistically testing weapons, and training our soldiers, sailors, and airmen in their use. (3)

The basic view of this school is that the development of complicated and expensive "gee whiz" weapons results in the purchase of "fewer bangs for more bucks." The opponents of this view, whom Lewis dubs the "establishment" school, assert that emphasizing technological development is, for a variety of reasons, essential to maintaining an effective defense:

> 1) Technology acts as a crucial force multiplier. Because of asymmetrical resource and political constraints, the United States must maintain a qualitative lead if it is to deal with quantitatively superior adversaries. In particular, we might use technology to whittle numerically superior threats down to the point where the enemy cannot overwhelm our forces. Thus, beyond-visual-range (BVR) radar guided missiles and airfield denial weapons would cut Soviet fighter waves down to size before dogfighting could begin, and advanced air- and surface-to-surface munitions could be used to inflict losses on Soviet follow-on ground-

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force echelons while NATO's front-line forces blunt the leading formations of a Soviet armored thrust.

2) The financial costs and political liabilities and uncertainties of overseas bases, highly trained manpower, and so on also force us to pursue qualitative improvements, since even if we had a force structure that included larger numbers of the less complex and costly systems that the "reformers" have advocated, we could not afford to man, train, or deploy them (except by resorting to conscription, a very low-readiness strategy, and other equally undesirable and unfeasible approaches).

3) Given the broad range of possible scenarios that we might face and the fact that the enemy has the advantage of the initiative in any decision to launch an attack, we need a flexible posture and technologically sophisticated weapons are in many cases the proper means to this crucial end.

4) Some technologies have fantastic growth potential and may lead to higher reliability, reduce manpower and training costs, and so on. (4)

Lewis correctly points out that it is possible to find elements of truth in both schools of thought, along with corresponding illustrative scenarios. Also, both sides address virtually all aspects of the total defense planning problem, both for the continental United States and Europe. The problem of how actually to use technology is predicted upon a number of fundamental points, including: assumptions about the relative likelihood of particular kinds of wars; ideas about how those wars would be fought; the role to be played by American and Allied forces; the timing of a crisis and conflict (including assumptions about readiness, mobilization, and the role of escalatory threats, etc.); and other important matters. (5)

These questions obviously cannot be answered here in concise fashion, nor are they likely to be answered by national security planners without a great deal of philosophical debate. Nevertheless, they do point to the immensity of the problem. And, like it or not, some near-term decisions on technological innovation, particularly in regard to the defense of Europe, will have to be made. What valid points, then, can be gleaned from the arguments of the supporters and detractors of intensive technological innovation, if any? As the "reformers" point out, it is important not to view technology as a panacea to all

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defense-related problems. To rush headlong to deploy complicated weapons without having clear plans for their use in integrated operations and without training military personnel in their proper use is foolish.

Conversely, it would be just as foolish not to utilize emerging technologies whenever feasible, and to the greatest extent possible. In fact, the importance of technology has become so great that it has become a veritable weapon in its own right, giving those who possess a superior technology base a certain advantage over their adversaries. Even when, prior to the twentieth century, advances in technology were often repressed, it was technological innovation that solved seemingly intractable military problems, thereby forcing military planners to adopt these technologies. Indeed, it can be argued that, historically,

> ...there has been a dialectical struggle, in the classic sense, between the offense and the defense, with technology providing the antithesis to the prevailing thesis of military thought, producing a synthesis that remains in place until another technological advance transmutes it as well....The ability to innovate technologically and to utilize these advances and weapons effectively is as much a weapon as any other, and just as powerful. (6)

Thus, while the "reformers" are correct to point out that technology is not a panacea, it is essential to remember that in an era of great technological change, it could prove disastrous not to have the latest technology. The developments in naval technology that took place just before World War I attest to the importance of staying on "the cutting edge" of military technology. Another, more relevant example is that of the action-reaction cycle between tanks and anti-tank guided missiles (ATGMs), with special armor having been developed to counter ATGMs, and then ATGMs being redesigned and improved in order to pierce this new armor. (7)

When all the rhetoric and argumentation about technology is put aside, though, perhaps the best and most incisive analysis of the problem is that of noted military analyst and commentator John Mearsheimer:

> Although it is an unconfortable fact of life, it is nonetheless true that to some extent we are prisoners of technology. We have no choice but to stay on "the cutting edge" of weapons development and to at least explore all

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> possible avenues of development. This does not mean that every system on the drawing board should be deployed, that most sophisticated version of a weapon is the one that should be built, or that technology should be allowed to obscure the importance of strategy or how the weaponry is used to achieve success on the battlefield. On the contrary, we should choose the systems we build wisely and pay very careful attention to the relationship between technology and strategy. (8)

Herein lies the key to making effective and wise use of technology for defense; namely, it must be clearly understood with clearly defined goals, it must take into account the factors of cost and cost-effectiveness, and it must be implemented in concert with a strategy. Most of those who oppose intensive technology development hold that technology should be completely subordinated to strategy, that technology should be the dependent variable in the military equation. Unfortunately, things are not always so well ordered. As Mearsheimer argues, technology often evolves in unplanned and unforseen directions. The idea that the growth of technology can be simply and neatly fitted to the demands of strategy is simply incorrect. Strategy must often be changed to accommodate technology. Mearsheimer illustrates this point well by citing the example of the tank, which was developed during World War I, and was not developed to facilitate a blitzkrieg; it was to be used in support of the prevailing strategy of broad frontal attacks. It was not until after the war that some individuals recognized the revolutionary potential of the tank. In this case, the technology preceded the strategy. Thus, the relationship between technology and strategy is a complex one where neither factor completely dominates the other. Technology and strategy are complementary, not mutually exclusive concepts. (9)

This being the case, it remains for NATO military planners to determine how best to take advantage of technological advances and to integrate these new technologies into the deterrence and defense strategy of NATO. The types of technologies being debated, their potential applications, and the questions about their implications for the Alliance merit closer inspection.

## Technology in Defense of Europe

At the 1982 Bonn Summit of Alliance leaders, it was agreed

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that members of the Alliance should "explore ways to take full advantage both technologically and economically of emerging technologies, especially to improve conventional defense."(10) At the December 1982 meeting of NATO Ministers, Secretary of Defense Weinberger presented a report on "emerging technologies." This initiative focuses almost exclusively on ground and air forces in NATO's Central Region, and emphasizes four mission areas: defense against the first echelon; interdiction of Warsaw Pact follow-on forces; improving NATO counterair capabilities; and improving NATO command, control, communications and intelligence ($C^3I$) and electronic countermeasures.

The impetus for the development and deployment of weapons based on these emerging technologies stems from the changes in NATO's essential defense doctrine that have taken place in conjunction with the achievement of strategic nuclear parity between the Untied States and the Soviet Union. As early as the mid-1960s, many Europeans began to question the dependability of the American strategic nuclear umbrella. By 1967, a number of steps were taken within the Alliance to reaffirm the credibility of the U,S. nuclear guarantee. Three American Polaris submarines were assigned to SACEUR as theater nuclear systems. The Nuclear Planning Group was formed to bring European NATO members into closer contact with nuclear policy affecting the Alliance. Most importantly, the doctrine of "flexible response," known also by its Military Committee report designation MC 14/3, was adopted in 1967.(11)

Flexible response represented a complete reversal of the earlier concept of massive retaliation and called for a wide range of nuclear and conventional capabilities designed to enable NATO to meet aggression at any level and to threaten escalation to a level unacceptable to the adversary. Flexible response envisions three types of military response, which may be employed consecutively or simultaneously:

*Direct Defense:* which has the objective of preventing an aggression from reaching his objective at the level of military conflict chosen by him, usually taken to mean the early conventional phase of a conflict.

*Deliberate Escalation:* which is intended to repulse an attack by changing the quality of defensive operations through the use of nuclear weapons, or by expanding the

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regional scope of the conflict.

*General Nuclear Response:* which is directed mainly against the strategic potential of the aggressor and implies the employment of the strategic nuclear weapons of the Alliance. (12)

The ultimate objective of flexible response is to "convince the Soviet leadership that NATO is willing and capable of escalating a conflict to a point at which the Soviet Union would be at a net disadvantage – and that the prospect of NATO escalation therefore would deter Soviet aggression in the first place."(13) The problem is that flexible response glosses over some serious differences of opinion within the Alliance over the role of nulcear and conventional forces in NATO strategy. The doctrine calls on the one hand for a strong conventional capability, while at the same time it requires escalation to a stragetic nuclear exchange should aggression be uncontrollable at lower levels, making the United States and Western Europe subject to full-scale nuclear devastation. Throughout the 1970s, as political and budgetary considerations led the Alliance to become increasingly reliant upon nuclear systems in order to deter attack and the U.S. strategic umbrella became more dubious, many Alliance leaders began to question whether the Alliance possessed a truly credible deterrent to Soviet aggression (since the commitment to the actual use of nuclear weapons had been called into question).

For a variety of reasons already mentioned, there is growing consensus within NATO that strengthening conventional force capabilities is desirable. Probably foremost among these reasons is the perceived political and military gain to be derived from moving away from reliance upon the early first use of nuclear weapons in the defense of Europe. With the advent of the "emering technologies" alluded to earlier, a number of new approaches to a conventionally-oriented defense of Europe were developed. They are intended to utilize high-technology weapons to counter the Soviet concept of theater warfare, which involves the combined operation of forces configured in echelons. The first echelon forces deployed within 100 km. of the "forward edge of battle area" (FEBA) are designed for initial onslaught against opposing forces. The second echelon forces along with "Operational Maneuver Groups" (OMGs) are to exploit the initial gains of the first echelon forces by rapid

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movements through the first echelon. Disruption of Warsaw Pact second echelon forces would reduce the number and rate of targets to be dealt with in the forward area of battle. (14)

### Defend Forward, But Strike Deep

The United States, with considerable European encouragement, developed the basic technology for looking and striking far behind the FEBA as part of the "Assault Breaker" program, begun in 1978. While the program has spawned a number of variations (which will be discussed below), the basic Assault Breaker concept envisions the employment of a sophisticated stand-off reconnaissance aircraft which would coordinate surface-to-surface and air-to-surface strikes against second echelon forces. Targeting of these forces would be accomplished with the JSTARS (Joint Search and Target Attack Radar System) stand-off airborne radar system – formerly called Pave Mover – a remarkable system capable of long-range surveillance of fixed and mobile targets considerably far behind the FEBA. Target information would be relayed to ground stations which would assign surface-to-surface and air-to-surface missiles loaded with area denial weapons or terminally guided submunitions to the target with astonishing accuracy. Leading candidates for the surface-to-surface missile (SSM) are the T-16 and T-22 interdiction missiles (Patriot and Lance derivatives, respectively), and certain cruise missile derivatives, namely the medium- and long-range air-to-surface missile (MRASM/LRASM), are being considered for the air-delivered component. (15)

Before looking at more recent variants of the Assault Breaker program, it is interesting to note the great promise which many Europeans see in the concept of second echelon interdiction. For example, a study was released in June 1982 by Dr. Manfred Worner, prior to his becoming West German Defense Minister, in which he called for a "substantial reduction" in the number of short-range (<100 km.) nuclear weapons deployed on West German soil, by means of exploiting emerging technology weapons. According to this study, destruction of a Soviet breakthrough group (with 600 tanks, 500 armored vehicles, 50 artillery units, 200 surface-to-air missiles, and 300 trucks) would ordinarily require 5,500 sorties to deliver 33,000 tons of gravity bombs. The same mission could be accomplished with

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600 sorties 3,000 tons of unguided submunitions. With the use of terminally guided submunitions, the number of sorties would be reduced (according to the study) to 50-100 and the delivery requirement to 500 tons.(16)

Since the time of the Assault Breaker concept definition, developments in sophisticated guidance systems and miniaturization have made significant improvements possible in systems and assets already programed. The Multiple Launch Rocket System (MLRS), jointly developed and produced by the United States, the United Kingdom, West Germany, France and Italy, will be capable of bringing a rapid rate of fire to bear at ranges of 35 km. and more. A "Phase II" derivative of MLRS will include an advanced mine-scattering warhead, and "Phase III" will utilize terminally guided submunitions. New runway cratering weapons for airfield denial have also been developed, most notably the Matra Durandal, the Thompson-Brandt BAP-100, and the MBB STABO. Many of these and other weapons, including miniaturized submunitions, will be deployed by aircraft-mounted dispensers, such as the West German MW-1 and the British JP-233 submunitions dispensers. Development is continuing on a wide range of advanced communications and target acquisition systems in both Europe and North America.(17)

What excites Alliance leaders most about the "emerging technology initiative" is the potential to target and destroy mobile forces well behind the FEBA. NATO force planning has for many years called for a defeat of the first echelon, counter-air interdiction and destruction of fixed targets behind the FEBA. Alliance force planners now envision the targeting of mobile forces, especially massed armor formations of Soviet second echelon forces. Currently, this mission can only be performed effectively with nuclear weapons. Improved ability to "see deep" and to target accurately with terminally guided submunitions would allow conventional weapons to perform the mission nuclear weapons now fulfill in holding massed armor at risk. Thus, a great deal of the debate over emerging technologies is actually concerned more with new concepts of operations and tactical doctrine involving the utilization of these technologies, and not necessarily about the technologies themselves.

New operational concepts based on Assault Breaker generally foresee a battlefield extended in space, time, and range of

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assets which are brought to bear in battle. Air and ground forces are to work in concert in order to "take the battle to the enemy" early and in depth sufficient to frustrate the initiative of the offense. These various operational concepts basically coalesce around two distinct concepts. The first of these can be referred to as the "Deep Strike" or "deep attack" school, which reflects in many respects Allied Command Europe's (ACE) concept of attack of Warsaw Pact "follow-on forces." This viewpoint envisions targeting massed armor and chokepoints behind the FEBA in order to disrupt and destroy Warsaw Pact reinforcing offensive echelons. ACE defines "follow-on forces" as those forces which have not been committed to the initial attack. ACE therefore views "Deep Strike" as strengthening forward defense by reducing the rate at which Warsaw Pact forces arrive at the FEBA, thereby making forward defense a more manageable and likely prospect.(18)

The second school of thought is best represented by the new U.S. Army doctrine of "Airland Battle," which does not foresee striking as deeply as the ACE "Deep Strike" concept. Airland Battle incorporates shorter-range interdiction across the FEBA with greater tactical mobility. The initiative is to be maintained by "rapid, unpredictable, violent and disorienting" operations which are intended to outmaneuver the offense. This view goes almost hand in hand with the idea of shifting defense doctrine away from that of active forward defense toward a more "flexible" type of "maneuver defense" or "defense in depth." While the U.S.Army states officially that the defense of Europe would depend primarily on conventional forces, proponents of this school of thought generally foresee an "integrated battlefield" in which conventional, chemical, and nuclear weapons would be used.(19)

At the present time, debate over second echelon interdiction continues in legislative circles. Respected thinkers and strategists have presented logical and persuasive arguments on both sides of the issue. As is usually the case in such matters, the most advantageous approach appers to be somewhere along the median between the various opposing views. Probably the foremost and most outspoken critic of this new doctrine is Jeffrey Record of the Brooklings Institution. The November 1983 edition of *Armed Forces Journal* contains a detailed analysis of Deep Strike by Record, in which he presents his case against

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the doctrine. Some of his major contentions deserve particular attention. One such argument deals with the relationship between Deep Strike and active forward defense (as currently practiced by NATO), two concepts which have little appeal for him. Record argues that the history of mechanized warfare since 1939 has repeatedly demonstrated that, against the kind of echeloned armored blitzkrieg which the Soviets are capable of launching, defense is possible only through "(1) a willingness on the part of the defender to trade space for time in order to identify the main axes of advance, wear down attacking forces, and form up sufficient operational reserves (assuming they are available) in rear areas to throw the enemy back, or (2) an 'up front' defense along the border based on a combination of firepower superiority and existence of fortifications and such barrier defenses as minefields, tanktraps, walled terraces, water obstacles, hedgerows, and afforestation."(20)

His argument is that Deep Strike does not address or resolve the primary problems of NATO. By focusing on second- and third-echelon interdiction, forward defense along the inter-German border is practically expected to collapse against first echelon Pact forces. While the forward defense vs. defense in depth question is still open to discussion, Record assumes that the whole focus of NATO's defense planning will shift to the second echelon, allowing whatever capability we presently have to defend along the inter-German border to erode. This is simply not the case. The Airland Battle program, as adopted by the U.S. Army and elaborated in Field Manual 100-5 clearly states that high-technology weapons are to be used to interdict second echelon forces *precisely* for the purpose of making front-line defense more manageable. Moreover, this same manual envisions the very type of maneuver strategy which Record advocates, into which the interdiction missions would be integrated. On an interesting related point, a recent study indicates that it may be possible to adapt the Deep Strike technologies to advanced, barrier-type defenses that would satisfy most of Record's stipulations while at the same time avoiding many of the political problems associated with current-generation barrier defenses.(21)

Another of Record's objections concerns resource allocation. He contends that "every dollar, man, and weapon allocated to striking deep will be one less dollar, man, and weapon available

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to prevent the *Warsaw Pact* from Striking Deep."(22) The argument here is that defending against the first echelon is difficult enough without diverting resources from front-line defenses (whether this be forward defense or operational maneuver defense) for the sake of trying to interdict follow-on forces. In this respect, Record is exactly right. NATO must not scrap all of its current tactical planning and throw everything behind a doctrine of "striking deep" only. Fortunately, this is not likely to happen, for political if not military reasons. Deep Strike is *not* a panacea, but neither is it meant to be. For these new technologies (and tactics for their use) to be effective, they must be fully integrated into a coherent and cohesive strategy designed to maximize NATO's *overall* deterrence and defense capabilities.

Record is correct in that we should not become so enamored of technological "quick fixes" that we neglect the basics of strategy and intelligent force planning. As he points out, "air power alone, in the absence of concerted action with properly timed and appropriately aimed offensive thrusts by friendly ground forces, cannot decisively disrupt or destroy enemy forces on the ground."(23) Yet, a principal flaw in his thinking is that, like many other professional thinkers, he puts the issues solely into a "black and white" framework. The defense of Europe is far more important than the advancement of pet theories on deterrence and defense, particularly if they deny from the outset the possibility of any other theory's having some validity, if not plain usefulness. The paramount consideration should always be to find better ways to defend the Alliance, using all resources at the Alliance's disposal, including high technology. Admittedly, assessing the implications of the new emerging technology weapons for the Alliance is a nettlesome problem, but still a necessary one.

## Into the Future

What impact, then, will new technologies have, both on NATO's ability to defend itself and on the political framework of the Alliance? This is perhaps best answered by first examining the conclusions of Alliance political leaders, especially of those who live in the nations we are seeking to defend – the Europeans. The North Atlantic Assembly has yet to take a firm stand on the issue, being somewhat reluctant to risk a political

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backlash should the Deep Strike doctrine be construed as an abandonment of forward defense. The most recent Assembly report (prepared by a West German) expresses significant, albeit cautious, interest in second echelon interdiction, claiming that "the 'conventionalization' of NATO strategy and forces is a desirable development which should allow the Alliance to deter potential Warsaw Pact aggression without relying upon the early first use of nuclear weapons....[however], no valid strategy for NATO can depend solely on nuclear weapons to deter aggression, nor can there be in the foreseeable future a substitute for the deterrent role of nuclear weapons in Alliance strategy."(24)

The integration of second echelon interdiction weapons into NATO's defense strategy would be an important first step toward achieving the goal of defending Europe without having to employ nuclear weapons during the early stages of a conflict. Both Deep Strike and Airland Battle have their shortcomings, but could work effectively if fitted into a comprehensive strategy. The potential benefits to be derived from these systems are simply too great to ignore.

Strengthening conventional defense is important for the Alliance, both politically and militarily, and high-technology weapons can and should be an integral component of Europe's defense. Technology is not the only answer, however. We must continue to address the problems of strategy, $C^3I$, ammunition stockpiles, training, logistics, reserve mobilization, and others. Quick fixes and defense "on the cheap" accomplish little or nothing; only by addressing *all* aspects of the NATO defense problem can we ultimately prevail. Even so, technology plays an important role in that defense, and will continue to do so in the future. To borrow the pithy comments of John Mearsheimer, the United States military will continue to be a highly bureaucratized institution that places great emphasis on deploying sophisticated technology. Modern militaries have no choice on these counts. These ineluctable forces, democratization and industrialization, have made it imperative that a military rely heavily on staff officers and the most up-to-date weapons. The desire to turn back the clock and return to an age when the brilliant individual and simple weaponry were the keys to success in war is a hopeless cause. Ideas that do not recognize the impact of the broader forces that shape the military institution remain nothing more than ideas.(25) It remains for us to

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take new technologies out of the realm of ideas, and put them into practice in defense of the Atlantic Alliance and all of the principles, values, and ideals for which it stands.

FOOTNOTES

(1) North Atlantic Assembly, *Interim Report of the Sub-Committee on Conventional Defence in Europe,* by Karsten Voigt, Rapporteur, Military Committee [AA 191 MC/CD (83) 4], (Brussels: International Secretariat, November 1983), p. 1. (Hereafter referred to as NAA Conventional Defence).

(2) Ibid.

(3) Kevin N. Lewis, "On the Appropriate Use of Technology," *Orbis* Vol. 27 No. 2 (Summer 1983), p. 274.

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(6) Dr. Benson Adams, Department of Defense (OUSDRE), on March 8, 1984 (author's paraphrase).

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(10) NAA Conventional Defence, op. cit., p. 2.

(11) Ibid., p. 4.

(12) Ibid., p. 5.

(13) Ibid.

(14) Data and descriptive information about "Assault Breaker" programs are taken primarily from an excellent three-part series on this subject which appeared in three consecutive issues of *Armed Forces Journal.* For greater elaboration on the technologies to be used for second echelon interdiction, see the November 1982, December 1982, and January 1983 issues of *AFJ.* Additional information is taken from an outstanding, though somewhat technical and lengthy, essay and analysis by Dr. Fred Wikner, "Interdicting Fixed Targets with Conventional Weapons," *Armed Forces Journal* (March 1983), pp. 77-95.

(15) NAA Conventional Defense, op. cit., p. 10.

(16) Benjamin F. Schemmer, "NATO's New Strategy: Defend Forward, But Strike Deep," *Armed Forces Journal* (November 1982), pp. 62-68; and North Atlantic Assembly, *Interim Report of the Sub-Committee on Defence Co-Operation on the Implications of Technology for the Battlefield,* by Patrick Duffy, Rapporteur, Military Committee [Z 210 MC/EG (82) 9], (Brussels: International Secretariat, November 1982), p. 5.

(17) Schemmer, op. cit., pp. 52-68; and Duffy, *Technology for the Battlefield,* op. cit., pp. 6-10.

(18) NAA Conventional Defence, op. cit., p. 11.

(19) Ibid. See also section on "Airland Battle," *Field Manual 100-5: Operations,* U.S. Army, 1982.

(20) Jeffrey Record, "NATO's Forward Defense and Striking Deep," *Armed Forces Journal* (November 1983), p. 44. For a less detailed though historically interesting point/counterpoint discussion of Deep Strike, see also the Forbes/Stewart debate in the September 1983 issue of *AFJ.* pp. 104-106.

(21) The information on the Airland Battle can be found in the 1982 Army

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Field Manual mentioned above. Information on the advanced barrier concept can be found in a fascinating summary of a study done by McLean Research Center, Inc. for the U.S. Army Mobility Equipment Research and Development Command, contained in *Defense Systems Review,* (December 1983), pp. 28-32.

(22) Record, op. cit., p. 46.
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# HIGH FRONTIER: THE NEXT FOUR YEARS

By Lt. General Daniel O. Graham

The results of the 1984 election by no means spell the end of opposition to High Frontier and the Strategic Defense Initiative. True, the political forces who launched a desperate attack against the concept of space-borne defenses lost, but President Reagan still faces some formidable obstacles before his historic decision bears fruit.

There are dangers still lurking in some parts of his own Administration. Some bureaucrats would like to see his Strategic Defense Initiative stay in the realm of "research only." They see any decision beyond research as a threat to ongoing programs and budgets. Others, who remain addicted to the MAD-plus-Arms Control doctrine, will be all too willing to trade away the defensive option for "progress" in arms controls talks.

The political Left, here and abroad, will pull all stops in a propaganda tirade against defenses in space. The disinformation and other political organs of the Soviet Union will do the same, pouring resources into this battle on a scale equal or greater than the Soviet assault on cruise and Pershing missile deployment in Europe.

President Reagan, on Election Eve, stated his continued commitment to the High Frontier concept. But the President has *been* committed since March 23, 1983, and all he has been able to pry out of the Pentagon is a research program. Congress slashed the budget request to fund that research by 400 million, leaving a paltry 200 million dollar add-on to previously funded research to represent this bold new strategic initiative. (1) That's less than the cost of a single B-1 bomber!

Most of the President's top men concerned with the Strategic Defense Initiative: Secretary Weinberger, General Vessey, Chairman of the Joint Chiefs of Staff, Under Secretary of Defense Fred Ikle, and Science Advisor, Dr. George Keyworth are solidly behind it. Given public support levels for space-borne defenses at an astonishing 75 to 80 percent, there *should* be no problems in Congress. (2)

On June 10, 1984, the U.S. Army demonstrated in spectacular fashion the feasibility of SDI by knocking down an ICBM

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in space using off-the-shelf technology. A vice-president of Lockheed, a major aerospace company, has publicly stated that a defense can be built and deployed in five or six years at a cost of 25 to 30 billion dollars. (3)

More and more credible scientists, engineers, and industrialists are seconding what High Frontier has been saying for almost three years now. (4) We can have an actual defense against the awesome nuclear missiles for about the same amount of money that has been suggested by the Pentagon (26 billion) for mere research and development. (5)

If we commit 5 billion dollars a year to this non-nuclear defensive effort, we can get off the nuclear treadmill and provide ourselves and our Allies with a powerful deterrent to nuclear war. That is less than three percent of our current military budget, (6) less than half the annual amount poured into the ill-starred CETA make-work program, and less than one-third of what the late, lamented Carter Administration was willing to pay to deploy 200 MIX missiles in the "Race Track" configuration. (7)

With all this going for it, why is implementation of SDI so feeble? Why all the foot-dragging?

There are two fundamental obstacles which must be overcome: one is the almost incredible inertia built into the Federal bureaucracy. High Frontier and the President's commitment to SDI constitute a threat not only to Soviet military ambitions, but also to the entrenched policies, programs and budgets of a myriad of bureaucrats all over Washington. This problem was well illustrated by the fact that President Reagan had to defy a timorous clutch of White House advisors when he endorsed the High Frontier concept in March last year.

Bureaucratic turf-guarding of this nature is hard for the ordinary human being outside government to understand. An example or two may help: Suppose you are a DOD bureaucrat who for several years has been diligently seeking ways to deploy the MX missile in the no-defense environment dictated by the MAD doctrine. You have already spent hundreds of millions of taxpayer dollars on studies and tests of superhardened silos, multiple firing positions, deceptive basing, and mobile launchers. You now have contracts out to think tanks and to industry to find additional ways to prevent destruction of MX missiles in an unopposed nuclear first-strike. You have risen steadily in rank, pay and prestige because your function is

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critical to the Department.

Then along comes High Frontier with the notion that the no-defense precepts of MAD should be scrapped, that an unfiltered first strike by Soviet missiles should *not* be the basis of our strategic planning, that reliance on offense-only programs is a mistake. You can imagine what your reaction might be. The basis for your past and future professional career is threatened.

Or suppose you are a bureaucrat in the State Department or the Arms Control and Disarmament Agency who has for years tried to craft proposals and agreements that would maintain some semblance of balance in the balance of terror dictated by the MAD doctrine. You have become an expert in the weird and wonderful arithmetic of SALT and START. You view the ABM treaty as a sort of crowning achievement of arms control diplomacy.

Then along comes High Frontier and your President with the shocking idea that the growth of nuclear ballistic missile stockpiles can be stopped with non-nuclear defense technology better than with diplomacy alone; that defenses are *automatic* arms control, reducing the effective threat by percentages which no reasonable person would deem possible through negotiation; and, that given an effective strategic defense, the intricate and worrisome problem of verification becomes manageable. Here again, a change of basic strategy constitutes a threat to the accustomed assumptions of a bureaucrat's functions.

Suppose you worked at NASA where over the years an article of faith has been that *military* applications in space constitute a threat to your purely non-military, scientific mission as well as to the bureaucratic prerogatives of your agency. Along comes High Frontier and the President with a concept that requires NASA to walk arm-in-arm with DOD, and that lays stress on a military space program which would enjoy the priority of the Apollo program of the '60s.

When you put yourself in the shoes of Washington bureaucrats, you should be able to understand the strong resistance to change of any sort, let alone the fundamental change of national strategy advocated by High Frontier. But that does not mean we can tolerate such foot-dragging or that there is nothing that can be done. Forthright leadership by the President, and strong Congressional support is still able to overcome the inertia of the bureaucracy.

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Given the firmness of the President's commitment and his huge political victory, *direct* opposition to SDI from the bureaucratic establishment is not in the cards. The naysayers will try to wait this Administration out. They will try to make progress so slow that the SDI decision does not become irreversible over the next four years.

One gambit that is already in evidence around Washington is to trade the program off to get concessions from the Soviets in arms control talks. The other is to make sure that the program remains *research only* with maximum emphasis on futuristic, long-range possibilities and minimum attention to near-term options.

These efforts will be strongly aided and abetted by the liberal media and the political Left. While denouncing High Frontier and SDI as "infeasible", "too costly", and irritating to the Soviets, they will (paradoxically) suggest that it is nonetheless a marvelous thing to give up in exchange for concessions by the Soviets.(8) The Soviets, who know better, will assist in the media effort. Both will pontificate about the sanctity of the ABM treaty.

Regrettably, the President's men allowed the enemies of his historic decision to describe what he had said in March 1983. The opponents of the idea insisted that it was "Star Wars", a science-fiction fantasy. Naysayers, in and out of government, insisted that the President had asked for a *perfect* defense, a futuristic impermeable dome over the nation which would stop all but one of 10,000 missiles fired at us.(9) That made it possible for them to hoot at the idea as technically infeasible or requiring huge expenditures. It also gave them the grounds to argue that a Soviet Union faced with an *impenetrable* defensive shield would be panicked into a nuclear first-strike before the shield was in place.(10)

A few days after the March 23, 1983 speech, the President remarked that once we had defenses well along, he would be happy to tell the Soviets how to do it. This is a perfectly sensible view; if we could encourage the Soviets to spend their energies getting a non-nuclear capability to defend against a U.S. first strike with long-range ballistic missiles, no American would object unless he wishes to preserve an option to conduct such an attack. But by October 1984, the naysayers had misconstrued the President's sensible remark into a proposal to

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provide the USSR with the best of U.S. technology.(11)

High Frontier and allied organizations have been battling night and day to offset these all-too-effective attempts to mislead the public on the SDI issue. Some time ago we were blind-sided by naysayers in the bureaucracy who provided polemical ammunition to our antagonists. This kind of problem has abated sharply in the past six months as a result of the appointment of a very bright general, Lt. General Abrahamson to head up the SDI effort and because of the support by Cap Weinberger, Fred Ikle, and George Keyworth. I should add that Ken Adelman, head of the Arms Control and Disarmament Agency is not among those who would trade off SDI for Soviet concessions in negotiations.

The meetings in Geneva in early January reached agreement on the value of discussing SDI. Hopefully this might result in an agreement between the two sides to improve defensive systems with a view to the eventual reduction of nuclear offensive systems, as proposed by President Reagan. However, until now the evidence has indicated that the Kremlin's motivation has been to kill off all U.S. space borne defensive systems

Two weeks after the first successful flight of the shuttle Columbia in April 1981, Brezhnev insisted on a treaty to ban space weapons.(12) Andropov picked up on that demand shortly after the President's "Star Wars" Speech.(13) Chernenko added his voice to the chorus within days of the successful interception of a warhead in space on 10 June 1984.(14) The current conciliatory attitude of the Kremlin is entirely the result of their conviction that the U.S. can indeed remove the threat of a Soviet nuclear missile first-strike by their awesome missile force by deploying space-borne defenses.

Kenneth Adelman appears to recognize this fact well, and has recently stated that arms control talks should strive to convince the Soviets that we *are* going to defend ourselves, a fact that can have a positive effect on reductions in offensive inventories. He said: "A dialogue on this [offense-defense] relationship could bring both of us back to basics on matters critical to arms control."(15) Adelman, with the same brand of common sense so often demonstrated by his former boss, Jeane Kirkpatrick, notes that non-nuclear defenses can create de-facto arms control even without formal agreements.

Adelman is absolutely right, but such ideas are too bold for

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some of the old-line arms controllers, a fact that may account for the rash of suggestions that he and his negotiator, Ed Rowny, (and Cap Weinberger for good measure) be superceded by someone like Brent Scowcroft as a "czar" over both arms control *and* SDI.(16) This notion apparently was *not* well received at top levels of the Administration, but the fact that it was bruited about in high places is an ill omen. It means that the urge to trade off SDI for some sort of Soviet concession in "old style" arms control is strong in some quarters.

What we hope for, and must press for, is not a mere muting of the bureaucratic naysayers, but positive support for High Frontier's efforts on the part of all Administration spokesmen.

There remains formidable opposition to the President and to SDI. It will be the mission of High Frontier during the next four years to frustrate the naysayers. And we can do it!

We have just released a new film, which was aired nationally before the election with amazingly positive results in terms of call-ins and letters from the public. The film, "A Defense That Defends," features two highly-identifiable actors, Lorne Greene and Don DeFore, giving the straightforward answers to the "anti-High Frontier crowd." Of considerable impact is the fact that Lorne Greene is identified as a liberal Democrat and Don DeFore as a conservative Republican. We could not have proposed a better way to confound the opponents of SDI. We must get maximum TV airing of this 30-minute documentary. High Frontier will be booking showings all over the country, calling on our supporters in the areas concerned to help in this effort.

Here is a cause that arose from conservative forward-thinking — a contradiction in terms to some people which has captured the support of Americans across the board. High Frontier makes sense not only to conservatives, but to everybody, because it will protect everybody.

FOOTNOTES

(1) "Senate Defense Bill Goes to Committee Today," *Herald Examiner,* Los Angeles, 22 June 1984.

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# NIGERIA'S MILITARY CAPABILITIES

By Julius Emeka Okolo

An authoritative and influential annual publication recorded in 1978 that "Nigeria is today possibly the African country most widely courted both by the West and the East, and it is continuously looked to for support within the OAU."(1) Concurring, two renowned Africanists wrote in the same volume that "No major political decision on African Affairs was adopted by the OAU or the Front-line States in 1978 which had not previously been discussed with Nigeria's leaders."(2) Nigeria's advancement to an African regional economic power, resulting from oil profits, heightened the aspirations of Nigerian leaders towards greater freedom of action in world affairs and a leadership position in the African continent, and there has been an ensuing interest in reinforcing economic strength by military strength – even though Nigeria's balance of payment problems have placed temporary restrictions on such goals.

Consideration of the dynamics of this growing concern for national military power is subsumed under several facets. First and foremost is the understanding of the principles of Nigerian defense concept and assessment of the trends in the immediate external environment of the state which primarily define the character and content of the defense requirements. Furthermore, it is necessary to examine the present position of Nigeria's defense forces in the light of the security responsibility that they must shoulder. Finally, it is essential to examine some measures Nigeria should undertake to improve her national security and defense capability.

## Principle of the Defense Concept

Schuman has observed that "Since survival is the first law of life, the first duty of diplomats is the promotion of national security."(3) This view runs through the thinking of theorists of political realism in international relations. For them, every

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goal of foreign policy has to do with the pursuit of national interest, a concept which is often identified with security. "The realist argument," writes Taylor, "runs basically to the effect that, unless a state is secure, it cannot be sure that it will survive and, if it does not survive, it will not be able to fulfill any other goals favoring its citizens."(4) To survive, states engage in acquisition and maintenance of power.

Nigerian leaders are fully aware that the survival of any state in world society depends on that state and its citizens. Thus, the present Constitution of Nigeria recognizes as among the fundamental objectives and directive principles of state policy that "sovereignty belongs to the people of Nigeria from whom government. . . derives all its powers and authority," and that "the security and welfare of the people shall be the primary purpose of government."(5) Pursuant to the objectives and principles, *the Constitution establishes the Armed Forces of the Federation for the express purpose*, among others, *of defending Nigeria from external aggression*, maintaining her territorial integrity and securing her borders from violation on land, sea, and air, *and suppressing domestic insurrection*.(6)

On the international front Nigeria pursues ambitious foreign policy objectives. The Constitution states that "The state shall promote African Unity, as well as total political, economic, social and cultural liberation of Africa and all forms of international cooperation conducive to the consolidation of universal peace and mutual respect and friendship among all peoples and states, and shall combat racial discrimination in all its manifestations."(7) *In effect, Nigeria has made Africa the "centerpiece" of her foreign policy and "liberation of Africa" and "combating racial discrimination" do not preclude the use of armed forces, if necessary.*

In order to meet the responsibilities of her defense and security needs and those resulting from her dynamic foreign policy orientation, Nigerian leaders have currently emphasized "our determination to build a mobile and virile military force." (8) A related and remarkable feature of this policy has been a fundamental stress on "the establishment of a contented, well-trained, disciplined, effective and mobile armed forces" as President Shagari put it in his 1980 budget statement to a joint session of Senate and House of Representatives.(9) It has been remarkable not only for its intensity, but all the more so because

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it identified a few areas requiring attention so that the nation would get the best from its armed forces. These included some "uncompleted barracks and their infrastructure, the establishment of a unified command structure for the armed forces, the localization of training programs, the local production of essential and strategic military weapons, enhancement of the strike capability of the armed forces, and the welfare of soldiers."(10) The policy has been forward looking in its emphasis on the need for according soldiers proper training and ensuring that they are well-armed.

This is, however, an admission that Nigeria's armed forces are yet to be in a confident position to easily fend off a direct or indirect large-scale invasion. It is significant that Nigeria's policy-makers are now geared up to reversing the present position. They are also quite hopeful that the ECOWAS' mutual defense pact recently adopted will enhance Nigeria's security as well as guarantee support from member-states of the organization in the event of a militarily hostile action directed against the state.

## The External Factors in Nigeria's Security

There are two major considerations primarily independent of Nigeria's choices, which involve her military security. The first constitutes trends in the immediate external environment, and the second is the political will and military capability of ECOWAS states as her security partners. Both are imperative to Nigeria's security as factors that will define and shape the nature, content, and direction of Nigerian defense needs. The responsibility of Nigeria's military forces has changed in a major way precisely because the first major considerations have gained significant recognition as important causes of concern among Nigerian policy makers, and the second has recently become an added feature of ECOWAS, hitherto an organization with purely economic motivations.

On land, Nigeria has borders abutting four Francophone states, namely: Benin (Dahomey), Cameroon, Chad and Niger. Three inter-African highways also cross the country. The Trans-Saharan Highway runs from Algeria to Lagos, the Trans African Highway from Lagos to Mombasa, and the Intra-West African Highway from Mauritania to Benin. Indeed, these constitute security problems for Nigeria as these routes could easily

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become channels for transportation of arms and men. They could also easily be utilized by an external Land-Mobile force poised on an aggression against Nigeria. There is further the possibility that national security threats may result from instability in the neighboring states.

*The Neighbors*

One of the crucial aspects of Nigeria's immediate external environment was the recent seizure by neighboring governments of areas claimed by Nigeria to be within her territorial limits. The latest of these challenges which Nigeria has had to face came, as has been mentioned, from Benin and Cameroon. Benin had seized land in Sokoto state of Nigeria and collected taxes from the citizens.(11) Similarly, Cameroon soldiers occupied several Nigerian villages in Cross River State and on May 15, 1981 killed five Nigerian soldiers and wounded three others.(12) Compounding these incidents were evidences that contraband goods, mostly war weapons, were being smuggled into Nigeria across the boundary lines between her and her four neighbors.

These issues of tension and terrorism evoked strong reactions from Nigeria, but it was, perhaps, the Nigerian-Cameroon border problem that drew the most opprobrium with a considerable segment of the country's enlightened public, including the Speaker of the House of Representatives, Edwin Ume-Ezeoke, urging for military action.(13) Nigeria ultimately chose diplomacy to confrontation. In response to these crises, however, Nigeria's border security situation had to undergo a closer scrutiny. Hitherto, there were only two major government institutions in the Ikong area of the Cross River State – the scene of the Nigerian-Cameroon border clashes – namely: the Nigerian Police and the Board of Customs and Excise. The former, not marine police, exercised purely civil functions and made no attempt to face the invading Cameroon soldiers. The Customs had only twenty-nine people whose duties were to patrol the waters, visit all the Nigerian fishing outposts in the area, and guard the Ikong shores in shifts.

Obviously, both these units were ill-equipped to vent the Cameroon forces, whose intrusion was made more vigorous by the discovery of petroleum in the area. The Nigerian Navy did not possess even a small outpost in Ikong. There was no Air Force in the immediate vicinity for surveillance purposes, and the army had not entered the area since the civil war until

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March 16, 1981. Only a small group of soldiers had entered the area at that time, but when Nigerian troops entered the area, they were fired upon by Cameroonian troops with a loss of five lives.(14) Worrisome to Nigeria was the fact that since 1974 France has maintained defense and/or military cooperation agreements with her four neighbors and that since 1963 the United States has mutual defense and assistance agreements with Niger.(15)

In their traditionally suspicious attitude towards France, Nigerians claimed that the Cameroon activities were sponsored by a major power determined to destabilize Nigeria. Given the history of direct French military intervention in Africa, there was uncertainty as to how France would react in the event of military confrontation between Nigeria and Cameroon. Memories were still fresh that in 1978, during the war between the Algeria-backed Polisario and the armies of Mauritania and Morocco, the latter sought and received military support from France, and that the French Mirages which bombed Polisario camps took off from Senegalese airports, thus showing the readiness of some Francophone African governments to collaborate with France in furtherance of its interventionist policies. Nigerian policy makers are also generally aware that "France maintains, under the personal control of the President, specialized air-borne, combat-ready forces . . .for use in Africa" and of France's record of "using the Francophone countries to frustrate the efforts of other states at cultivating relations that may not serve her national interests."(16) These considerations, along with the pressures of Nigerian "doves" who felt that, given Nigeria's aspiration for African leadership, "Nigeria should not be a bully," in the words of Governor Clement Isong of the Cross River State, "but a cautious elder brother,"(17) swung the tide in favor of a pacific response.

While Nigeria had chosen peaceful diplomacy for dealing with these across-border security problems, a number of proposals were, nonetheless, made in response to the crises. For instance, Senator Donald Etiebet, member of the Senate Committee on Defense, called for the establishment of a permanent military base at Ikang village on the Nigeria/Cameroon border and an airforce base in Aron Andndomebon, both in Cross River State. He also called for effective fortification of Nigeria's borders for the protection of the nation and its territorial waters.(18) These were to serve as strong deterrents against any future adventurist

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moves by Nigeria's neighbors. There was some movement of troops to the Nigerian-Cameroon borders in the early days of the crisis. In his 1982 budget address, President Shagari stated that the Federal Government had entered into dialogue with the governments of Nigeria's neighbors in an effort to secure their cooperation in dealing with problems arising from smuggling. He also assured the nation that steps had been taken to re-equip officers and men of the Customs and Excise. In the military establishment, he stated that work would be started on a new forward naval base in Jamestown and that new equipment would be purchased for the three services of the military during 1982.(19) Evidence of more concrete fortification of the borders for security purposes are yet to be seen.

*Geo-Strategic Factors*

It is not only the situation with Nigeria's immediate neighbors that threaten her territorial integrity. Nigeria's survival also depends on the security of the Atlantic sea lanes, especially the Gulf of Guinea over which her economic life lines stretch. Nigeria originally controlled approximately 415 nautical miles of coastline overlooking the Atlantic, and this stretch was short enough to make for uninterrupted coastal defense. But Nigeria's 1978 declaration of a 200 mile exclusive economic zone added about 75,000 square miles of functional and full jurisdiction to the area, thereby making such a defense more difficult to carry out.(20) The advantage of controlling such off-shore resources as petroleum, fishing, and other autigenic resources is thus counterbalanced by the requirements of more extensive and expensive defense lines.

Compounding these defense problems is the fact that the area is of great strategic concern for the superpowers. The naval forces of Great Britain, France, the Soviet Union, and the United States operate patrols through the South Atlantic to the Indian Ocean. Additionally, France enjoys naval facilities from its base off the shores of Senegal as well as off the shores of Cameroon, Gabon, and Ivory Coast. The Soviet Union enjoys refueling and minor repairs privileges in the facilities available in Angola, the Peoples Republic of Congo, Equatorial Guinea, and Republic of Guinea.(21) All of these places are within short distances from the territory of Nigeria, and their proximity permits any potential adversary with short and medium-range

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missiles and medium-range bombers to threaten the nation's industrial and population centers. From this standpoint the geostrategic importance of the region in Nigerian defense and security policy becomes more significant.

A negative factor in the geostrategic conditions is Nigeria's considerable dependence upon exportation of her raw materials, primarily oil, to the major industrial powers and importation of their products, including food items and industrial goods. Approximately 90 per cent of this trade is carried on from the Atlantic Ocean through the Gulf of Guinea. In the event of any serious and prolonged disruption of those life lines, Nigeria's fragile economy would collapse. Fortunately, there is no imminent danger at this time, but the situation clearly illustrates the dependency of Nigerian economic structure to external political developments.

What makes the situation less of a disturbing phenomenon at present is the apparent mutual interest existing between not only Nigeria and the major Western powers but also between other West African states sharing the same trade routes. Both the West African and West European trade partners are committed to the security of the region. Yet, without sounding contradictory, the situation is disturbing precisely because of the unpredictability of international political developments. In fact, following the foreign invasion of a number of African states, growing doubt has emerged that external powers can guarantee the security of African states. Thus proposals were first made for an International African Security Force at the fourth summit of the Francophone States in Dakar in March 1977. This was further discussed at the Franco-African summit in Paris in May 1978 and at the NATO meeting in Washington, where the French President presented it and won the agreement of some NATO members, five of whom (United States, Britain, France, West Germany, and Belgium) met in Paris on June 5, 1978 to consider their potential military aid to these states.(22) The participants issued a communique to the effect that they had "discussed problems of aid which could be granted to African States wishing to protect either collectively or individually, their integrity and their development."(23) Nigeria responded critically. General Olusegun Obasanjo, the then Nigerian Head of State said that "We totally reject as an instrument of neo-colonialism any collective security scheme for Africa fashioned and teleguided from outside Africa for the

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economic, political or military interest of any superpower bloc. It is an insult to the dignity and intellect of the African man." (24) Most African leaders agreed with General Obasanjo that the proposal had NATO written all over it, and felt that it was designed to promote Western interests with African security playing only an ancillary role in the consideration of NATO members. In the perception of the Nigerian leaders, their nation's security would best be promoted by a regional security arrangement developed and manned by Africans themselves.

*ECOWAS Mutual Defense Pact*

More specific to the subject of this essay, the recently created Economic Community of the West African States (ECOWAS) security pact is viewed as guaranteeing security assistance by the other fifteen member states of the Community in any military emergency involving Nigeria. Under the defense pact units from the armies of ECOWAS countries will constitute an Allied Forces of the Community (AAFC) under a Force Commander and will, among other things, carry out joint military exercises. A member of ECOWAS facing aggression from a non-member state can request assistance and the Authority of Heads of State and Government of the Community shall meet and decide, on the expediency of military action and entrust its execution to the Force Commander of the AAFC.(25) ECOWAS Executive Secretary Diaby-Quattara has stated such meetings will be held within forty-eight hours of issuance of the member-state's request.(26) In the case of external aggression, the ECOWAS forces are bound to go to the defense of the attacked member. Where the conflict is between two member-states, the Authority shall take appropriate action for mediation, being prepared to deploy the AAFC as a peace-keeping force.(27) In situations where an internal insurrection against a member-state government is actively sustained from the outside, action will be taken by the Authority as in the case of external aggression, but Community forces will not intervene if the conflict is purely domestic in nature.(28)

However, the ECOWAS Defense Pact still awaits ratification by at least seven states.(29) Furthermore, the pact makes no provision for any permanent ECOWAS standing army. In effect, if Nigeria should require ECOWAS assistance in a case of aggression, such aid would be very slow, as the forces of the member-states would first have to be organized and coordinated

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by the AAFC before dispatch. It would seem, therefore, that the only effective role the ECOWAS states can play in Nigeria's security is to discourage any attack on Nigeria.

The mutual defense arrangement notwithstanding, Nigeria's partners are not in a position of adequate military preparedness to defend her against aggression from any major or even middle-sized power. They would be principally constrained by a range of military, political, diplomatic and logistic considerations. In 1978 the ECOWAS states, excluding Nigeria, had a total of only 111,000 men in their armed forces, and had spent only $288 million in military expenditures.(30) The ECOWAS Armed Forces derive from various colonial backgrounds and have different traditions, languages, training, and equipment; with only questionable ability to form an effective fighting force without much more substantial training than is envisaged in the mutual defense arrangement. The ECOWAS security arrangement is only one of several other defense agreements entered into by the different ECOWAS states. For instance, the Peoples Republic of China has military assistance agreements with Equatorial Guinea, Guinea, and Mali. France has defense and/or military cooperation agreements with Benin, Ivory Coast, Mauritania, Niger, Senegal, Togo, and Upper Volta; Spain also maintains close military links with Equatorial Guinea.(31) These are potent constraints, and depending upon who Nigeria's enemy might be, some ECOWAS member-states could find themselves having to choose between Nigeria and their other security partners.

Based on these considerations, Nigeria seeks to reassess her security needs and capabilities. Nigeria can be threatened by air, sea, and land. With few natural defensive barriers, except the Cameroon Mountains to the East, Nigeria occupies a large area and is highly vulnerable to invasion by airborne troops. Her densely populated southern states and major cities and industrial centers are also vulnerable to aerial bombardment.

It is also a rather sad commentary when a top military officer stated that Nigeria could not "see the enemy because we do not have the capability of surveillance to identify enemy aircraft, and be able to take steps to contain any threats from that aircraft."(32) Nigeria's oil resources located on the coast and offshore are most vulnerable to naval attack. The porousness of the country's naval security was manifested by the relative ease with which apartheid South African ships berthed and loaded

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Nigeria's crude oil. On land, troops from both Cameroon and Chad have made incursions into Nigerian villages in Borno and Gongola states. Nigeria's life-lines are totally vulnerable to attack, and economic collapse could be brought about with ease. Let us therefore look at the level of Nigerian defense forces preparedness in the light of these contingencies.

### The Status of the Nigerian Armed Forces

A quantitative comparison of the military forces of Nigeria with those of other nations reveals a rather unimpressive strength. In 1978, Nigeria's military expenditure ranked 28th out of the 145 geo-political entities covered by the United States Arms Control and Disarmament Agency in its survey on world military expenditures and arms transfers. Her expenditure of $1.8 billion was not comparable to those of the first three ranking states, namely, the Soviet Union $153.6 billion; United States $108.3 billion; and China $37.5 billion. Similarly, it did not nearly approach expenditures of such Third World states as Iran $10.5 billion and Saudi Arabia $10.2 billion.(33) But among African states, Nigeria's efforts were unrivalled, with Nigeria's military budget exceeding that of South Africa, the second largest spender ($1.7 billion) and Egypt, the third, ($1.3 billion). The military expenditures of the rest of the African states ranged from zero in the case of The Gambia and Swaziland to $469 million in Libya.(34) The numerical strength of Nigeria's armed forces (204,000) followed almost the same pattern, being smaller than those of twenty-four other world states and ranking second in size only to that of Egypt (350,000) in continental Africa. The Soviet Union, which ranked first in comparative world numerical strength, had 4.8 million full-time military personnel; the Peoples Republic of China came second with 4.5 million; and the United States third, with 2.2 million. In Africa, after Egypt and Nigeria, Morocco came third with 115,000; Algeria fourth with 100,000; and South Africa fifth with 78,000.(35) Following the post-civil war demobilization efforts, the numerical strength of Nigeria's armed forces is now put at 146,000; (36) nonetheless, they remain stronger than the armed forces of any nation in Black Africa.

The Nigerian Army in 1980 consisted of approximately 130, 000 personnel divided into four infantry divisions, one guards brigade, four artillery brigades, and four engineering brigades.

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The main equipment consisted of 64 #T-55 medium tanks, 50 *Scorpion* light tanks, 20 *Saladin* armored cars, 15 AML-60/90 armored cars, 75 *Fox* scout cars, and 8 *Saracen* armored personnel carriers. The artillery equipment consisted of 32 105mm, 122mm, and 132mm guns/howitzers, 81mm mortars, 76mm anti-tank guns, 20mm, 40mm and ZSU-23-4 special anti-aircraft guns.(37) The Army is still not fully motorized.

The total strength of the Navy amounted to 8,000 men, organized in three commands. The Western Command comprises the Naval Training School Complex and is based in Lagos, the Eastern Command is based in Calabar, and an Independent Flotilla Command is temporarily also based in Lagos. The fleet is made up of 1 *Nigeria*-class ASW frigate, 4 Hippo-class corvettes, 8 large patrol craft, 2 R0R0 1300 LST, and 6 coastal patrol boats. Several major vessels were on order, including one *Meko* 360 frigate and 6 FAC(M).(38)

The Air Force, the youngest of Nigeria's armed forces, was established only in 1964, and in 1980 had 8,000 men. It is organized in three commands: a Transport Command based in Lagos, a Training Command based in Kano, and a Tactical Air Command based in Benin City. In additon, two strike units are located at Enugu and Makurdi. There are 3 FGA/interceptor squadrons, 2 transport squadrons, 1 light bomber squadron, 1 SAR helicopter squadron, and 3 training squadrons. The combat planes include Mig 17s and 21s, and there are a number of *Puma, Alouette*, and *Whirlwind* helicopters in the inventory.(39)

Based on the above statistics, one can of course conclude that in terms of contemporary African states, Nigeria is a considerable military power, armed with modern ground, naval, and air forces. Yet, her real military capability is severely limited. A comparison with Libya, whose population (approximately 3 million) is only 4 per cent of that of Nigeria is interesting. Libya has about 45,000 men in the armed forces, possesses about 200 combat planes (mainly Mig 17s, 21s, 23s, and 25s), about 2,000 tanks, and over 30 warships. As stated, Nigeria possesses only 21 combat planes, less than 100 tanks, and less than 15 warships — the latter mostly small.(40)

Apart from the number of military personnel and available material, the personnel, composition, and structure are also relevant in any discussion of the role of the military in a nation's security system. In Nigeria, it is noteworthy that relative to the total numbers of military personnel there are less generals

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and admirals than in any state of comparable population. In 1966, when accurate data were available, there were only 591 officers, of whom 330 were of combat status, for the 10,500 men in the armed forces.(41) A large number of the officer corps were decimated during the January and July 1966 *coups d'etat* and many more were killed during the civil war. Still more were wasted following the attempted coup of February 1976, in which General Murtala Mohammed lost his life. This problem of under-representation of the officer corps in the military personnel is presently being perpetuated by the constitutional requirement that recruitment into the armed forces should take into consideration Nigeria's "federal character." Thus, where any of the nineteen component states is unable to fill its quota, by reason of nonavailability of qualified applicants, vacancies are left unfilled to the detriment of national security needs. The problem is particularly acute since the shortage of officer corps restricts any potential force expansion. The voluntary nature of military service in Nigeria, and the low level of public interest in enlistment in the military or the reserve would seem to make any rapid force expansion extremely difficult. As regards reservists, Nigeria has only about 30,000, compared to 500,000 in Egypt or 130,000 in South Africa.(42) Interestingly, Sweden and Switzerland, which profess neutrality and maintain relatively small military forces on active duty (respectively 66,100 and 18,500), are in readiness to mobilize in an emergency about 800,000 within 72 hours (in Sweden) and 625,000 within 48 hours (in Switzerland), and they both have more sophisticated military material in their arsenals.(43) In reducing her military personnel strength from nearly 250,000 since the civil war to barely 150,000 presently, Nigeria would have done well to encourage the demobilized personnel to volunteer as reservists in all three sectors of the armed forces, especially in view of their combined importance to the nation's security needs.

Any objective assessment of Nigeria's defense equipment would certainly conclude that it is inadequate. The overall arsenal is shallow. Cognizant of this apparent weakness, the then military government adopted the 1975-1980 Defense Plan, the objective of which was to modernize the Armed Forces to meet the challenges of the 1980's. It provided for expenditure of millions of dollars intended to result in greater air mobility, stronger firing power, and the strengthening of the

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ground, air, and naval forces. Pursuant to the attainment of these goals, the army placed orders for more sophisticated material. The Navy ordered ships from both German and French shipyards, and the Air Force not only acquired a variety of aircraft from diverse sources, including Britain, Sweden, and the Soviet Union, but also made plans for purchasing Soviet Mig 23s, 25s, and 27s. Much of these materials are now in Nigeria's military inventory and others are expected to arrive by 1984/85.(44) It is not known exactly what quantity of ammunition is in the inventory, but it can be reasonably estimated to be rather low. Neither the Air Force nor the Navy is well equipped, with air-to-air missiles and anti-aircraft missile systems respectively; so that the nation remains vulnerable to air assault. A serious military emergency in the near future would therefore leave Nigeria at the mercy of any modern enemy force within a short period following the commencement of armed conflict.

During the ten-year period between 1969 and 1978, Nigeria spent an average of 5.2 per cent of her gross national product (GNP) and 20.9 per cent of central government expenditures on the military. The world averages were 5.8 per cent and 28.1 per cent respectively, while the averages for developing countries stood at 5.9 per cent and 26.5 per cent respectively, during the same period.(45) Thus, whereas Nigeria was keeping pace with many countries as regards the share of military expenditures of the GNP, she was lagging behind in terms of the military sector's share of the gross central government expenditures. This was in spite of the fact that the average percentage military expenditure in Nigeria included the figures for the years from 1969-1973, which covered part of the civil war and the period immediately following the war, in which military expenditure was expectedly high and averaged about 32 per cent of the central government expenditures.(46)

Apart from allocations for total military expenditure, Nigeria's allocations for weapons procurement were equally small. For example, during the Third National Development Plan period (1975-1980), about $2.8 billion was spent on the purchase of military hardware, vehicles and equipment, which accounted for nearly 55 per cent of total capital expenditure on defense during the entire five-year plan period.(47) This was proportionately much lower than what other modern military forces spent for such purposes.

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The problem for the Nigerian military is even more acute because of its heavy reliance on the importation of weapons and ammunitions. There is also the problem of scarcity of technical skills for repairs, and spare parts are hard to obtain. Many Nigerians have argued that ammunition should be produced locally, and the government has shown some concern in this area, hence in the Third National Development Plan 1975-1980, the N 10. million ($18 million) originally estimated for funding the nation's Defense Industries Corporation to cater for the manufacture of rifles and heavy weapons at the Federal Ordinance factory in Kaduna, and for the establishment of factories to manufacture uniforms, equipment and heavy calibre ammunition, was revised upward by tenfold to N100 million ($180 million).(48)

Indeed, to the concomitant problem that has seriously affected Nigeria's defense and security posture is added the problem of research and development (R & D). Knorr has cogently argued that "Advances in weapons technology are the direct results of military R & D," and that "technological innovation will tend to flourish in proportion to the funds spent on basic and applied research, and on development; and it also tends to prosper in proportion to the rewards conferred on scientists, engineers, and other R & D personnel."(49) Research and technology has been a little developed area in Nigeria's defense spending. It is argued that Nigeria can always buy the weapons it needs. But the matter is not just so simple.(50) In fact, President Shagari's government established a Ministry of Science and Technology to facilitate research and development in military technology, and institutions of higher learning have been created in various parts of the country which will serve to ensure a steady and adequate supply of scientists and technologists.

As regards nuclear energy, Nigeria was originally a signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), which she ratified on September 27, 1968.(51) But Nigeria has since maintained that it was not in a hurry to sign the "nuclear energy safeguard agreement" of the International Atomic Energy Agency (IAEA).(52) Although Nigeria has publicly committed herself to the peaceful uses of nuclear energy, she has also deplored the role of some Western countries in aiding the development of nuclear energy by the apartheid regime in South Africa, which is regarded as a threat to Africa

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which "must be countered."(53) To "counter" the threat, Nigeria has committed herself to developing nuclear energy.

In August 1976, the Nigerian Federal Military Government (FMG) established by decree a Nigerian Atomic Energy Commission (NAEC) with responsibility for "the promotion of the development of atomic energy for all matters relating to the peaceful uses of atomic energy in the country." The NAEC would prospect for and mine radioactive minerals, and, among other things, make arrangements with universities and other institutions or persons in Nigeria for the conduct of research into atomic energy and radioactive substances.(54) *It is doubtful whether, in the circumstance of the South African "threat" Nigeria will stop at only peaceful uses of nuclear energy.* Although she has presently no operational nuclear energy facilities, she is giving "priority attention" to the development of uranium ore in various parts of the country and can obtain uranium from several French-speaking African neighbors.(55)

A central problem area in the pursuit of the nuclear energy program is, of course, budgetary. The National Assembly Senate Committee on Appropriations and Finance had estimated that the establishment of a nuclear power plant would require about N2 billion, and it is unlikely that Nigeria is presently in a financial position to acquire a nuclear power plant. Moreover, nuclear energy research has been inadequately financed. During the 1981 financial year, a sum of only N10 million ($18 million) was appropriated for national energy research projects in which three universities were involved, namely: Ahmadu Bello University, Zaria, and the University of Ife for nuclear energy research, and the University of Nigeria, Nsukka, for solar energy research. The money was to be spent by the Ministry of Science and Technology which had the responsibility of coordinating the research program that would eventually lead to Nigeria's acquisition of nuclear capability.(57) A second problem has to do with the lack of technical expertise. On account of this, many knowledgeable Nigerians have called upon the federal government to invest in the development of indigenous nuclear expertise. Professor F.N. Ndili, Vice-Chancellor of University of Nigeria, Nsukka, called for the establishment of a national institute for nuclear studies. He further urged the federal government to embark upon a program to train more physicists and mathematicians.(58) It has been suggested that Nigeria may

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well consider the recruitment of foreign nuclear expertise from either industrialized or Third World (semi-industrialized) nuclear states, notably Pakistan, Brazil, and Egypt.(59) But, given the obvious sensitivity of the nuclear industry such an option would not be in the best interest of Nigeria's national security. Thus, limited budgetary appropriations for research and development and the limited availability of technical expertise combine to impede Nigeria's desires to develop tactical weapons.

**Training for Combat Readiness**

It may be argued that the fact that Nigeria does not possess a highly sophisticated and impressive inventory of arms, ships, and equipment does not necessarily prove the combat incapability of her armed forces since such a proof would have to come from actual fighting. This may be correct, but there are some other important considerations that would determine the capability of the military to readily and vigorously defend the nation's security.

In the first place, the quality of training as well as the qualitative and quantitative availability of material and space for such training are of crucial importance. Luckily in Nigeria, space does not offer much of a problem for the training of soldiers. Endowed with an expansive territory and a terrain divided between the swampy, equatorial region to the south and the grassland, savannah to the north, there is ample opportunity for sustained military training or manoevers under somewhat varying geographic conditions. But then, there is shortage of experienced instructors, artillery firing ranges, ammunition, aircraft, etc. to enhance the type of effective training geared toward assuring combat readiness. Foreign instructors have been used as substitutes where Nigerians are not available, and military officers have been trained abroad (Sandhurst, for example). Such training outside the country has been a financial burden, but it also creates other problems. The trainees are exposed to political philosophies and military doctrines alien to those of their nation; they train with weapons some of the like of which may not be available at home, and they train on unfamiliar grounds. All these are bound to have a collective effect not only on their world outlook, but also on their performance. Precisely in order to ameliorate and, perhaps, eradicate

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these problems, Nigerian leaders have currently emphasized local training of military personnel.(60) The Fourth National Development Plan 1981-1985 clearly states that "Measures will be taken to facilitate high level manpower training for the Armed Forces personnel *within the country*. . . "(61) The Plan proposes the expenditure of millions of naira over the five years on construction and equipment of new military schools and colleges and the maintenance of existing ones.(62) In fact, the Nigerian Defense Academy which, during the past 15 years, has trained approximately 2,500 officers for the three services is now being transformed into a technical university of the armed forces and the first intake for the degree program is to start training this year. This, it is hoped, will eliminate the need for the naval and airforce cadets to go abroad to complete their training.(63) However, the production of qualified personnel will not be the function of waving a magic wand. It will have to take some time, adequate financing, and appropriate equipment.

Another handicap personnel training has been facing is how to best utilize the available equipment. Some of the equipment is too sophisticated for the unskilled manpower to handle, most of it having been supplied by foreign sources. Indeed, when there is a breakdown, it becomes practically impossible to effect repairs. Moreover, "the lack of facilities for effecting repair and modification of equipment purchased from foreign sources creates a situation where the ability of Nigeria to prosecute a war depends largely on the cooperation of foreign suppliers."(64) National inability to maintain equipment has resulted in the grounding of some Mig fighters supplied by the Soviet Union and disuse of other equipment obtained from abroad. As a consequence, Nigeria's armed forces are still limited in the supply of the material necessary for their combat training.

## Remedial Measures

By now it should have been clear that Nigeria needs to take adequate and appropriate measures to improve the combat readiness of her armed forces. What precisely is to be done? One way to start is to dispense with delusions. Once this is done, Nigeria will have a realistic appraisal of the military requirements of her own security and of her ability to play a military role in the security of the West African region as a whole.

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First and foremost, Nigeria should reject the impression that it is a superior continental military power, especially as far as Black Africa is concerned. This is an exaggerated conception of her military capability which has given vent to the political delusion that she can wage a successful conventional battle against South Africa or even any Black African state. Wars are not cocktail parties. The Nigerian civil war is a living reminder of the ghastly effects of war. Biafra was devastated before it could be reintegrated into Nigeria, and political murmurs are still heard there despite the ensuing peace. It cannot also be forgotten that beyond the civil war and participation in a number of Organization of African Unity (OAU) and United Nations peace-keeping operations, Nigeria has not fought a war resulting from a direct external threat to her security. Thus the capacity of her armed forces to withstand an external onslaught has never been tested, and this is questionable given Nigeria's dependence on external sources for the supply of military hardware (95 per cent is imported) and also her dependence upon foreign powers for military training and maintenance.(66)

Second, although a number of "hawks" would have had Nigeria go to war against Cameroon, and may seek to induce such an action in the future (should such a similar situation arise), it is a tactical delusion to think that such a war could be localized in scope. A French military umbrella shelters Cameroon and other Nigerian neighbors, and some 7,000 French troops are actually stationed in Africa.(67) Similarly, those who advocate war against South Africa should see that this is not viable, and with the economic ties of the Western powers to South Africa they would hardly be expected to support Nigeria in such an action.

Nevertheless, in the light of the present tensions between the great powers (68), in which a network of military alliances and cooperation plays a considerable role, a small ignition could easily escalate into a bonfire. Certainly, there is no good reason to suppose that in the event of a conflict the powers friendly to the opponents of Nigeria would not come to their aid. On the other hand, the powers friendly to Nigeria, for instance, Cuba, might well fail to come to her aid. Any military strategy that neglects the global environment of international politics is, to say the least, myopic and doomed, and a nation in a state of deplorable military preparedness should not plunge into an

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armed conflict whenever peaceful diplomacy has even a minimal chance of succeeding.

Thirdly and finally, it would be a tactical delusion to assume that because ECOWAS mutual defense pact has been created, Nigeria's partners would be readily drawn into any and every conflict in which she became militarily involved. Such a calculation, or miscalculation, would be hazardous at best. To argue otherwise is to ignore the realities of Francophone colonial history, and the post-colonial relationships of the Francophone African states with France, especially in its present perspectives. Moreover, most of the ECOWAS states are so inferior in military capability to Nigeria that their support of the latter might make little difference to the outcome of a conflict, especially one fought against a middle-sized or major power. It is conceivable that some of the Francophone states which are still dependent on France for their own security might be able to call upon that former colonial power, where it is not the opponent, for assistance, through them, to Nigeria. Yet, such a prospect, while not preposterous, is certainly contrary to the principles behind the ECOWAS mutual defense pact. Nigeria would find it ideologically difficult to accept even indirect aid from its major rival in the West African region. All in all, in any major near-future conventional war involving Nigeria – in which the country was obliged to fend for itself without hope of effective reinforcements – the choice might well be between surrender and suicide.

In light of the above considerations, it is clear that the Nigerian armed forces do not have the "teeth" that many people erroneously believe they possess. The Shagari administration, like its military predecessors, is obviously committed to strengthening the armed forces. But it seems that if this is to be accomplished, a reordering of priorities is of essence. This means the diversion of the large percentage of military expenditure from pay and benefits and socially-oriented programs on which it has been used, to the expansion of arms and ammunition inventory, especially the acquisition of sophisticated aircraft, anti-aircraft missiles, radar, heavy tanks, anti-submarine weaponry, electronic surveillance-and-detection system, and the training of personnel in the use of these. The government must negotiate with foreign suppliers for adequate spare parts to make all its recent acquisitions operational.

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The total size of the forces should not be expanded above its present 146,000 level. A well-trained and armed force of 146,000 men is better than a larger, poorly trained and equipped security force. However, Nigeria should enlarge the size of her reserve force. For a country of her population size and characteristics, a reserve force of at least 800,000 men – more than what conflict-ridden Egypt now maintains – is not too large. It is certainly better to have them and not need them than the opposite. One way to obtain this level of reserved force, apart from recruitment from amongst the demobilized soldiers, could be through the institutionalization of compulsory special military training in the high schools, universities, and other institutions of higher learning throughout the country. This would require Nigerians to do away with the constitutional provision that recruitment into the armed forces should reflect the "federal character" of Nigeria. This term, requiring the maintenance of ethnic quotas in all branches of government, including the armed forces, is a euphemism for ethnicity and statism which can only militate against the growth of an efficient and dedicated military.

All of the above measures will enhance the maintenance and promotion of Nigeria's security. Beyond them, however, Nigeria could as a matter of priority lay emphasis on military R & D, and move in the direction of producing locally more of the armaments, at least those within the capacity of her level of industrial and technological development. Encouraging signs are already evident in the Research and Development sector, with N69 million (about $100 million) estimated to be spent on research and planning expected to lead to the manufacture of light automatic high power pistols, provision of general purpose machine facilities, and development of new products during the 1981-1985 plan period.(69) Though modest, this is a beginning. As regards local armament productions, it has been suggested elsewhere that some of the existing infrastructure could be exploited. Specifically, the defense-related industries, for example the Defense Industries Corporation at Kaduna which presently produces small arms and ammunition, and other heavy industries could be developed to produce more sophisticated arms and ammunition.(70)

Precisely because a state's security is both a military as well as a political concern, Nigeria should augment her defense efforts qualitatively by a carefully drawn political strategy. For

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instance, rather than plunge into an expensive nuclear arms race against South Africa at a time when Nigeria's resources must be harnessed to support the economy, preference should be given to building virile conventional armed forces, supported by a strong industrial and technological base on which Nigeria can rely until it is ready to undertake more rapid nuclear power development. This does not mean that the present nuclear and solar energy research program should be terminated.

A further political consideraton for Nigeria, given her leadership role in ECOWAS, is the promotion of an integrated standing army under the ECOWAS mutual defense pact. As already indicated, this would be a difficult task to accomplish, for Nigeria would first have to unseat France, whose influence in her former colonies is still paramount. Nigeria would have to convince her partners that such an integrated force would not be a smokescreen for the much-feared possibility of Nigerian domination. The existence of an integrated West African force would create a regional security condition whereby any attack on an ECOWAS member-state would automatically involve the whole community from the first second of action. This circumvents the delayed response inherent in the present mutual defense pact. Moreover, an integrated ECOWAS force would train together, be equipped with standard weapons, and would collectively defend common sea lanes and other interests.

It was on account of concern for Nigeria's security and the security of states along the South Atlantic Ocean that Bolaji Akinyemi, Director-General of the Nigerian Institute of International Affairs, in 1976, proposed the strategic doctrine that Nigeria should sponsor a declaration that the South Atlantic Ocean should be free of superpower presence, and that pursuant to this declaration, Nigeria, Brazil and Angola should establish a token naval presence in the South Atlantic Ocean Zone. More recently, Akinyemi suggested that Nigeria should sponsor "a conference of important naval states bordering the South Atlantic Ocean to work out ways to implement the declaration."(71)

## The Outlook

The principal thesis of this paper has been that contrary to popular belief, Nigeria is not a formidable Black African military power, and that her armed forces are still less than adequately prepared to effectively discharge their responsibility to maintain

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and promote the nation's military interests. Fortunately for Nigeria's security, the nation is unlikely to face any major military contingencies in the near future. Yet despite the absence of immediate danger, Nigeria seeks to build a strong and effective armed force capable of repelling any conventional aggression. At present Nigeria's military has been prepared primarily for defensive purposes; even so, defense expenditures should be carefully determined by her security needs and her concern for international conditions. The deficiencies in equipment procurement and inadequacies in the supply of spare parts for the armed forces must be corrected, and a higher level of skilled manpower must be maintained. Budgetary changes are needed to augment military power in light of strategic considerations.

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(65) One needs recall Nigeria's threat that it would return "fire for fire" if South Africa intervened militarily during the period of Zimbabwean political transition to independence. See *West Africa*, March 3, 1980, p. 414. Recall, too, the call by many Nigerians for war against Cameroon discussed above.

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# CIVIL DEFENSE: A MORAL, POLITICAL, AND STRATEGIC APPROACH

By Richard E. Sincere, Jr.

No informed person could deny that in the event of nuclear war, there will be survivors. Even a full-scale war between the superpowers would have limited effects, and certainly would not extinguish the human race.(1) Estimates vary, but most experts tell us that even with a surprise attack against the United states – with no civil defense preparations – 60 to 80 million people would survive. They would, of course, survive with injuries, shock, and sickness. Thus, even if the worst should happen, the question would be how to deal with survivors.

A surprise attack is unlikely, however, and proper civil defense preparations can significantly mitigate the effects of a nuclear attack. Sheltering and evacuation will dramatically increase the number of survivors. With this in mind, we must now direct our energies, wisdom, and compassion toward preparations for treating the sick and injured, establishing law and order, providing food and shelter, and burying the dead.

One often hears the accusation that an adequate civil defense program will make nuclear war more "thinkable" and hence more "likely." The continuing and uneven debate over nuclear weapons policy indicates by its existence that nuclear war is "thinkable" – we have been thinking about it for almost forty years. In fact, civil defense on both sides increases strategic stability and makes war less likely; as Richard Nixon put it, "a threat of mutual suicide is simply not credible." Nobel laureate Eugene Wigner explained: "A world in which neither of two opponents can destroy each other is much, much more stable than one in which each can destroy the other."(2)

## What Does Civil Defense Entail?

The moral, political, and strategic implications of civil defense are too often overlooked in discussing larger questions of strategy. Debate about "Star Wars," exotic space-based ballistic missile defense systems, has focused attention away

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from the passive population protection programs which are a necessary adjunct to any defense strategy. Few people are aware of civil defense's technical and human aspects, but without at least some knowledge of civil defense, a sensible debate about nuclear weapons policy is not possible. To understand what civil defense entails, however, requires first that we make the useful distinction between "deterrence-only" and "deterrence-plus" strategies set forth by Professor William O'Brien of Georgetown University:

> Deterrence-only strategies, such as mutual assured destruction (MAD), rest on the assumption that if the threat of assured unacceptable damage is sufficiently disproportionate it will never fail to deter, and that speculation about the contingency of war-fighting if deterrence fails subverts that efficacy of the supreme deterrent threat. Deterrence-plus strategies address the contingency of war-fighting if deterrence fails. It should be clear that reluctance or refusal to contemplate the failure of deterrence under a deterrence-only strategy cannot preclude the possibility that such a failure will in fact occur. (3)

The type of civil defense program under consideration here is not too different, conceptually, from that now in place. It must differ significantly in size and commitment. Today the United States spends about $200 million per year on civil defense. That is less than one dollar per capita. In contrast, neutral Switzerland spends $29 per capita per year on civil defense; the Soviet Union spends about $21 to $23 per Soviet citizen. The U.S.S.R. has 100,000 full-time civil defense workers, and countless others with civil defense training who work on it part-time. The U.S., in contrast, has about 7,000 full-time civil defense workers, and few other people have even minimal training that could be applied towards civil defense activities. It has been estimated that to replicate the most fundamental components of the Soviet civil defense program in this country, the United States would have to spend at least $300 billion.

Such replication is not necessary, however; an effective American civil defense program would consist of evacuation plans (crisis relocation), some in-place shelters (in target areas, these would be blast-proof shelters; elsewhere, fallout shelters), education about the effects of nuclear weapons, some industrial hardening, stockpiling of food, fuel, and medical supplies,

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upgrading of civilian radiological and disaster preparedness organizations, and training in shelter management techniques. Such a full-scale program could help to limit civilian casualties in the event of nuclear war to 20 or 25 million. Without such a program, we must look forward in horror to 150 million dead Americans (that, is, in an all-out nuclear attack).

### Opposition to Civil Defense

Civil defense, is, of course, conceivable only in – in Professor O'Brien's words – the "deterrence-plus" mode of thinking. To "deterrence-only" advocates, civil defense is literally unthinkable because it undermines the strategy itself. Thus, civil defense has met opposition from prominent members of Congress, academics, and state and local government officials.

In the Congress, opposition to civil defense is led by Representative Ronald Dellums (D-CA), who chairs the subcommittee on military installations and facilities of the House Armed Services Committee, which authorizes the civil defense budget. Dellums has stated that he believes "the civil defense program is a part of the illusion that [nuclear weapons] can be used and part of the fraud we are perpetrating upon the American people that in some way we could survive the insanity of nuclear war."(4)

Other members of the House who have attacked civil defense include Representative Tom Harkin (D-IA), who ridiculed a Federal Emergency Management Agency-Department of Agriculture briefing on the post-attack state of the nation's food supplies. Harkin's feeling was that such studies were foolish because they fortified the "myth" that nuclear war is survivable. Representative Toby Moffett (D-CT), chairman of the environment, energy, and natural resources subcommittee of the House Committee on Government Operations, has also used his position to denigrate civil defense. At hearings held on April 22, 1982, with a lopsided list of witnesses (the ratio of anti-CD to pro-CD witnesses was 6 to 1), Moffett asserted: "The premises for these [civil defense] policies are badly flawed....We, as a nation, cannot be lulled into a sense of complacency about the effects of nuclear war. We cannot come to believe that nuclear war is survivable. To do so would take us an additional tragic step closer to allowing it to happen."(5) It

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was at these hearings that Marilyn Braun, civil defense director for Greensboro, North Carolina, gained a platform for her view that FEMA's concept of evacuation was unworkable and useless. Because of her position as a local emergency manager, Braun's testimony won an inordinate amount of coverage in the national media; the fact that she was not representative of the vast majority of local civil defense directors did not deter such coverage.

Except for Congressman Dellums, these congressional opponents of civil defense exhibit little sophistication on the matter. For the most part, their understanding of the consequences of nuclear war and the needs of civil defense planners is exceedingly superficial and apparently is based more on perceived political expediency than on a realistic view of nuclear war.

Purdue University political scientist Louis Rene Beres has been consistent in his opposition to civil defense. He is critical of moves by the Pentagon toward a "war-fighting" deterrence doctrine, and has argued his case in two recent books: *Mimicking Sisyphus: America's Countervailing Nuclear Strategy* (1983) and *Reason and Realpolitik: U.S. Foreign Policy and World Order* (1984). When interest in civil defense and the effects of nuclear war peaked after ABC-TV broadcast *The Day After,* Professor Beres wrote: "This country's current plans for civil defense are entirely useless."(6) Crisis relocation planning, he said, "is built upon a pyramid of fantasies....Even if large-scale U.S. civilian evacuation plans were workable, a major Soviet nuclear attack could still doom almost every American. As FEMA itself recognizes, such an attack would involve at least half our population in direct weapons effects (vaporization, blast, and firestorm), and would expose virtually all of us to deadly radioactive fallout."(7) Beres is wrong, of course; FEMA does not "recognize" that if civil defense works, half the population would be exposed to the direct effects of nuclear explosions. The point of evacuation plans is to avoid such exposure completely. Properly sheltered upon evacuation. Americans can avoid the later effects of radioactive fallout as well.

In the nation's statehouses, a handful of governors and state legislatures have taken action against civil defense. The Maryland legislature has forbidden the expenditure of state funds on crisis relocation planning. In New Mexico, Governor Tony Ayana informed President Reagan that his state would no

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longer participate in civil defense against nuclear attack. "The very existence of preparations for responding to nuclear war," wrote Governor Ayana, "could only provide a false, if meager, sense of security for citizens and policymakers. To the extent that such a perception of preparedness could make a nuclear option even slightly more acceptable to the public or its leaders is one that must be avoided."(8)

Governor Michael Dukakis of Massachusetts issued an executive order on June 28, 1984, which prevents Massachusetts emergency management authorities from engaging "in crisis relocation planning in preparation for nuclear war." No state funds can be spent for CRP. Instead, Massachusetts "shall seek to ensure the safety of its citizens by pursuit of policies reflecting a serious commitment to prevention of nuclear war. Such policies shall include education of citizens concerning the real nature of nuclear war and efforts to influence national policy towards negotiation of an end to the nuclear arms race"(9) Governor Dukakis's action seems to have been influenced, at least in part, by Physicians for Social Responsibility, which is based in Massachusetts and had tried very hard to get the governor to do precisely this: remove civil defense against nuclear attack from the responsibilities of the Massachusetts government.

Somewhat more controversial have been the actions of Wisconsin Governor Anthony Earl. Governor Earl has instructed the executives in the state disaster services agency that "there is no defense against all-out nuclear war."(10) In an address to the state's civil defense workers, Governor Earl said: "It makes no sense for us to use the precious resources we have...to prepare to defend ourselves against something that is absolutely indefensible.(11)

Earl's statement was met with shock; within a short time an ad hoc citizens' committee was formed to oppose the governor's plans to gut Wisconsin's civil defense efforts. This writer, appearing at a press conference in Milwaukee, explained that the governor's position was "morally reprehensible": "Unfortunately, Governor Earl has fallen victim to a pleasant and dangerous mythology that nuclear war would mean instantaneous death for all of us. That's just not the case."(12)

The largest newspaper in the state, *The Milwaukee Journal,* took Earl's side in this controversy: "John D. Kwapisz, a

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Wauwatosa lawyer, and Richard Sincere, of the American Civil Defense Association, argue that Earl is failing in his duty to provide both kinds of civil defense [natural disaster and nuclear attack]. Earl argues, and we agree, that attempting to protect against nuclear attack is futile."(13)

Earlier in 1984, the Washington state legislature passed a law that would have eliminated the state's civil defense program. Governor John Spellman vetoed the measure, saying:

> Although a nuclear attack would be a nightmare, one which would make all other calamities man has suffered seem small, state government is obligated to save as many lives as possible, and it is immoral to prevent government from doing all that it can to save lives and reduce suffering...
>
> No one can guarantee that our entire population will be lost in an attack. As long as any of our citizens remain alive, they are entitled to the protection and services of the state. If at all possible, food, water, relief from pain, and shelter must be provided to those in need.(14)

The threat of a lawsuit and growing public criticism of the Wisconsin governor's decision led to a refinement of civil defense policy in that state in August 1984. A memorandum to local emergency government directors from the state department of administration noted that Governor Earl had directed the Division of Emergency Government "to focus its planning efforts on natural and man-made disasters and away from nuclear war." The memorandum described several changes in programs that had been nuclear-attack oriented. For instance, the Population Protection Program "is now titled the Wisconsin Emergency Response Planning (WERP) Program. It is premised on an all-hazard or IEMS planning approach and assumes that sheltering and/or relocation of the population might be necessary due to a number of types of disasters. Each Wisconsin county is now being considered a potential risk or host county and will be prepared to accept relocated populations or to evacuate its own."(15) The net effect of the changes seems to be that nuclear-attack related emergency planning is being hidden by the umbrella of IEMS (Integrated Emergency Management Systems), but no ability to respond will be lost. At worst, there will be some duplication of effort by making plans for evacuation in what were hitherto host areas only.

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So far, Maryland, Massachusetts, New Mexico and Wisconsin are the only states where anti-civil defense forces seem to have gained the upper hand. Undoubtedly similar measures will be introduced in other state legislatures in the future.

Opponents of civil defense often focus on the deficiencies of the "crisis relocation" concept which has been the major effort of federal civil defense programs since the Carter administration.(16) However, these opponents usually base their arguments on the evacuation of "hard case" targets such as New York and Los Angeles, which are unique because of their huge populations and unusual locations (i.e., Los Angeles is tucked between mountains and the ocean, and Manhattan is an island with limited bridge-and-tunnel egresses). By making these civil defense efforts appear laughable, the opponents — usually members of Physicians for Social Responsibility or one of their allied groups — deflect the public from seriously considering how workable evacuation and other forms of civil defense would be throughout the rest of the country. After all, Des Moines, Fort Worth, and even Chicago differ greatly from Los Angeles and New York in their locations and logistic capabilities.

The fact is that only 5 percent of the land mass of the United States would be directly affected by blast, fires, and prompt radiation due to nuclear attacks. That means that 95 percent of the country's area will be available for people to take refuge against the likely hazards of radioactive fallout, disease, vermin, and changing weather conditions following a nuclear attack. In any case, Americans will probably seek shelter in the event of an escalating international crisis (such as the scenario in the TV movie, *The Day After*). Many will spontaneously leave their homes. Without plans for crisis management, however, experience in Britain during the Second World War and here during the Cuban missile crisis and the Three Mile Island incident indicates that people will haphazardly move from one target area to another or from a safe area to a target area, and will be less likely to make the right decisions to secure their own safety and welfare. Coordinated movement is indispensable; plans made now would assure any crisis operation of running more smoothly, more safely, and with greater efficiency than if the situation caught us completely unaware.

The only conclusion one can reasonably draw from this is

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that civil defense is practical, practicable, and prudent. Above all, however, a commitment to civil defense in this country is a *moral imperative,* a *political obligation,* and a *strategic necessity.*

**Civil Defense: A Moral Imperative**

Frederick Copleston, the distinguished Catholic philosopher and historian, has reduced the moral principle to its essence: "It clearly is not a government's job to render defenseless those whom it is committed to defend."(17) Theologian John Courtney Murray remarked that while the President of the United States can turn his own cheek, he cannot turn the cheeks of 200 million American citizens. In the face of unjust aggression, it is unequivocally immoral to leave civilian populations vulnerable to enemy attack. As Father Murray pointed out: "It is folly not to foresee that the United States may be laid in ruins by a nuclear attack; the folly is compounded by a decision not to spend any money on planning what to do after that not impossible event."(18)

Respect for human rights and the dignity of each individual is the basis of our democracy. Our fundamental rights include life and personal security, rights which transcend, but do not override, all other human values. Our nuclear deterrence policies for the past thirty years have been successful instruments for safeguarding life and freedom for the United States and its allies. However, the U.S. government has failed to come to grips with the horrifying prospect of what to do if deterrence fails. The primary purpose of civil defense is to save lives and ameliorate suffering if by accident or design a nuclear war should occur.

Disregard for this simple and obvious purpose has led to the irony of certain Catholic bishops – notably Walter Sullivan of Richmond and John R. Quinn of San Francisco – refusing to cooperate with the government in preparing shelters and hospitals for emergency use, an unusual case of men of mercy refusing medicial care and shelter to the suffering. A number of physicians, whose superior medical skills could be directed towards saving lives, have also issued statements undermining the moral basis for civil defense preparations - something which would betray the Hippocratic Oath. They argue that although

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there will be survivors in the event of nuclear war, it would be unethical to plan to care for them. In other words, they contend that innocent people should be left to die because doctors' lifesaving skills may be overwhelmed by the disaster of nuclear war. (Significantly, the medical definition of "disaster" is precisely *any* event in which conditions and needs overwhelm the available medical services.) That strangely amoral attitude should be supplanted by this thought of Lutheran theologican Dietrich Bonhoeffer:

> If there is even the slightest responsible possibility of allowing others to remain alive, then the destruction of their lives would be arbitrary killing, murder. Killing and keeping alive are never of equal value in the taking of this decision; the sparing of life has an incomparably higher claim than killing can have.... (19)

As if speaking to those medical professionals who proclaim the hopelessness of nuclear disaster, who say life after a nuclear conflict is not worth living, Bonhoeffer went on eloquently:

> The distinction between life that is worth living and life that is not worth living must sooner or later destroy life itself...We cannot indeed ignore the fact that precisely the supposedly worthless life of the incurably sick evokes from the healthy, from doctors, nurses and relatives, the very highest measure of social self-sacrifice and even genuine heroism; this devoted service which is rendered by sound life to sick life has given rise to real values which are of the highest utility for the community. (20)

A commitment to civil defense manifests the highest human virtues. Indeed, for the medical profession it manifests the most fundamental ethical imperatives. As Howard Maccabee, president of Doctors for Disaster Preparedness, pointed out in congressional testimony in 1983, every code of medical ethics requires physicians to render aid to victims of disasters. The International Code of Medical Ethics, for instance, says that "a doctor must give emergency care as a humanitarian duty unless he is assured that others are willing and able to give such care." But, Dr. Maccabee noted, "it is not possible to give emergency medical care to the victims of any disaster unless some preparations have been made." (21)

The Second Vatican Council stated firmly: "Any act of war aimed indiscriminately at the destruction of entire cities or of

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extensive areas along with their population is a crime against God and man himself. It merits unequivocal and unhesitating condemnation."(22) Similarly, eleven Christian and Moslem religious leaders from around the globe met in Vienna in January 1983 and declared, "Genuine peace cannot be based on mutually assured destruction; balanced nuclear terror mocks the message of love shared by all religions.(23) A defense based solely on the deployment of more numerous and more destructive offensive weapons is morally reprehensible. To strive to achieve a moral and credible nuclear deterrent, the United States government (and the Soviet government, for that matter) must also *protect* its people against weapons of mass destruction, including nuclear weapons.

Even wars fought to restore justice and freedom cause suffering and death. To alleviate suffering and to prevent death are intrinsically, morally good. To commit our country to civil defense is to affirm in a clear way our commitment to the sacredness of human life.

## Civil Defense: A Political Obligation

A serious commitment to civil defense proceeds from the U.S. Constitution and statute law and also from international agreements to which the United States adheres.

The preamble to the Constitution states that one purpose of the U.S. government is "to provide for the common defense." To do this, the federal government has over the years established the armed forces, taken up arms against enemy invaders, and provided police protection not only for our own citizens but for those of our allies. Not since 1815 have foreign troops invaded American soil, and not since 1865 have Americans fought battles in their homeland.

But our isolation is a thing of the past. Intercontinental missiles and bombers render us vulnerable to attack. To lessen our vulnerability, Congress in 1950 declared its policy and intent "to provide a plan of civil defense for the protection of life and property in the United States from attack." Amendments to the 1950 Civil Defense Act were passed in 1980 at the urging of the Carter administration. The "sense of Congress" in those amendments declared that the civil defense of the United States should be improved, through some form of relocation if necessary, and further declared that "an improved civil

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defense program should be implemented which —

(1) enhances the survivability of the American people and its leadership in the event of nuclear war and thereby improves the basis for eventual recovery and reduces the Nation's vulnerability to a major attack;

(2) enhances deterrence, contributes to perceptions of the United States-Soviet strategic balance and crisis stability, and reduces the possibility that the United States might be susceptible to coercion by an enemy in times of increased tension.

Congress's 1980 goals have not been reached. Appropriations for civil defense are at a new low. This is despite the national legal commitment to civil defense and the fact that the United States has promised civil defense under the international laws of war. It may surprise many Americans, but according to the 1977 Protocols to the Geneva Conventions of 12 August 1949, our government and 64 others are committed to using peaceful means to protect innocent people from enemy weapons.

Article 51 of Protocol I states clearly that "the civilian population and individual civilians shall enjoy general protection against dangers arising from military operations." Article 58 enjoins the contracting parties to "endeavour to remove the civilian population, individual civilians and civilian objects under their control from the vicinity of military objectives; ...[and] take the other necessary precautions to protect the civilian population against the dangers resulting from military operations."

The Geneva Conventions make clear that the United States is obligated, under international law and the rules of war, to provide civil defense for its population, not only through relocation preparations, but through in-place sheltering and the provision of food, water, and medical supplies. Respect for international law mandates that the U.S. government adhere to these agreements; as Professor Francis A. Boyle argues, when major states challenge "standards of international law, formally accepted by all states in the world community, they undermine the integrity of the very international legal order that they constructed to protect their vital national interests."(24) For the United States to ignore unilaterally an important agreement like the Geneva Conventions will threaten the system of order and negotiation which produced the Nuclear Non-Proliferation Treaty, SALT I,

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SALT II, and numerous other treaties and conventions that together enhance international security.

## Civil Defense: A Strategic Necessity

The Soviet Union is a signatory to the 1977 Protocols to the Geneva Conventions. In contrast to the United States, however, it has paid significant attention and devoted scarce resources to civilian defenses. While some people disagree about the potential effectiveness of the Soviet civil defense program, there can be little doubt that the Kremlin sees civil defense as vital to the security of the Soviet Union. Given the state of the Soviet economy and the great emphasis put on military strength by Soviet leaders, it is improbable that the Soviets would capriciously divert 100,000 skilled workers from industrial or military activities to civil defense work if they thought such work was useless.

In balance-of-power politics, perceptions are as important as – perhaps more important than – reality. If the Soviet leadership *perceives* that they cannot survive and recover from a nuclear war as efficaciously as the United States could, they will be less inclined to risk war. Communist party and military leaders are cautious: Soviet military doctrine clearly indicates that the goal of politics is the victory of socialism, war is an instrument of politics, and nuclear war is not qualitatively different from other types of war. Unlike American and other Western thinkers who view nuclear war as a spasm which would be over in a matter of hours, Soviet strategists anticipate a protracted nuclear conflict in which population and industrial protection are vital components of war-fighting capabilities.

Thus, to prepare for the final victory of Communism, the Soviet Union has committed itself to civil defense. General Aleksandr T. Altunin, chief of Soviet civil defense, remarked in October 1982:

> The civil defense system covers the entire territory of the country and is organized on the territorial-productive principle. It has acquired an all-people character and has become a component part of the system of statewide defense measures carried out in peacetime and wartime with the aim of protecting the population and the national economy against weapons of mass destruction and other means of enemy attack.(25)

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The Soviet commitment to civil defense proceeds directly from the Soviet belief that a nuclear war can be fought and won. Strategic writer N.V. Karabonov noted in 1972: "There is profound erroneousness and harm in the disorienting claims of bourgeois ideologies that there will be no victor in a thermonuclear world war."(26) In that regard civil defense is considered "a strategic factor" and "a major contribution to victory."(27)

Civil defense preparedness reaches into every facet of Soviet life. Robert Kirshensteyn, a Russian emigré and engineer who built blast and fallout shelters in the Soviet Union, has written:

> All Soviet institutions, clubs, palaces of culture, libraries, etc., are literally crammed with posters, drawings, diagrams, brochures, and books on civil defense problems. All are illustrated in colors and written in a fashion which is understandable even by the most uneducated reader. All year round all plants give courses in civil defense, and those called to military duty also get instruction in civil defense at their military commissariates as a part of their military training.(28)

With its extraordinary natural and economic resources, the United States is privileged to forgo dictatorial control to protect its people. The interstate highway system, the number of automotive vehicles, wide areas of open, rural land, a strong economy — all these could contribute to effective civil defense. The natural freedom and mobility of the American people, their democratic spirit, their respect for law and order, their many skills and talents — these are assets without equal in the modern world. Nonetheless, these natural advantages do not erase the government's moral and legal obligations to provide a basic and effective program to protect all Americans.

The strategic strength of civil defense is this: if the United States demonstrates the will and ability to survive a nuclear war, the Soviet Union would fear that launching a war might result in defeat. The ability to recover means the ability to challenge Soviet hegemony. The men in the Kremlin are cautious, and we can take advantage of their cautiousness to prevent nuclear war. A sense of hopelessness or a demonstrated inability to recover — that is, the rejection of civil defense — will invite Soviet risktaking.

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## Civil Defense and Public Opinion

A strong commitment to civil defense is consistent with the wishes of the American people. A poll taken in August 1982 by Sindlinger and Company revealed that 81 percent of the American public believes the U.S. government "has a responsibility to provide an effective program of civil defense for all its citizens."(29) A Gallup poll of October 1982 found that a majority, 54 percent, of those surveyed approved President Reagan's proposal for an increase in civil defense spending. Only 29 percent disapproved. More important, 60 percent said they would cooperate with government officials during an international crisis in carrying out civil defense plans. Finally, more than half of those interviewed agreed that civil defense planning could be helpful in saving lives during other disasters. With public support like this, it would directly contradict the will of the American people for Congress (or the Executive) to fail to strengthen civil defense.(30)

The public opinion data indicate an innate sense on the part of the American people to accept these propositions:

Civil defense is a *moral imperative* because allowing the innocent to die is murder.

Civil defense is a *political obligation* because the United States is bound by its constitution, by statute law, and by international treaty to provide defense and protection for its citizens.

Civil defense is a *strategic necessity* because it will increase the perceptions by the Soviet Union of a secure United States, a stable international system, and a potential challenge to Communist hegemony, thus helping to deter nuclear war.

President Reagan asked Americans on March 23, 1983, "Wouldn't it be better to save lives than to avenge them?" A commitment to civil defense is a commitment to save lives and to ameliorate human suffering. If all our best efforts at disarmament, diplomacy, and deterrence fail, civil defense may be the last hope for the survival of a free society.

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FOOTNOTES

* In an illuminating exchange I had with Dr. Jack Geiger of Physicians for Social Responsibility, he explained that if there *were* a nuclear war, members of his group would of course care for the victims, even though as a matter of principle they would not make plans for such an occurrence in advance. I pointed out that in the Catholic diocese of Richmond, Virginia, the bishop had forbidden the government from appraising church-owned buildings for their usefulness as shelters and from marking them as such. A diocesan spokesman has said, however, that in case of an actual nuclear attack church buildings would be opened as shelters anyway. Geiger laughed and said to me: "Well, that's clearly contradictory!" Apparently he did not recognize the similarity to his own position.

(1) Brian Martin, "Critique of Nuclear Extinction," *Journal of Peace Research,* No. 4, Vol. XIX, 1982, pp. 287-300.

(2) Eugene P. Wigner, "Civil Defense: Our No. 1 Requirement," *Journal of Civil Defense,* December 1982, pp. 8-9.

(3) William V. O'Brien, "A Just-War Deterrence/Defense Strategy," *Center Journal,* Winter 1983.

(4) *Civil Defense: Defense Department Authorization and Oversight,* Hearings of March 2, April 5, and April 9, 1983 (Washington, D.C.: U.S. Government Printing Office, 1983), p. 255.

(5) *FEMA Oversight: Will U.S. Nuclear Attack Evacuation Plans Work?* (Washington, D.C.: U.S. Government Printing Office, 1982), pp. 2-3.

(6) Louis René Beres, "Civil defense plans are useless, dangerous," *USA Today,* November 28, 1983, p. 10A.

(7) Ibid.

(8) *The Front Line,* January-February 1984, p. 1.

(9) Michael S. Dukakis, Executive Order No. 242, June 28, 1984, p. 2.

(10) Memo to County, Zone, and Municipal Directors from Carol Z. Hemersbach, Administrator, Division of Emergency Government, November 16, 1983.

(11) *Milwaukee Sentinel,* April 13, 1984.

(12) "Civil defense group attacks move by Earl," *Milwaukee Sentinel,* July 4, 1984.

(13) "Folly of civil defense for nuclear war," *The Milwaukee Journal,* July 8, 1984, p. 1.

(14) Quoted in *New York Tribune,* May 24, 1984, p. 2B.

(15) Doris Hanson and Carol Hemersbach, "Information and Guidance Memo 8-2-84," State of Wisconsin, Department of Administration, August 14, 1984, p. 1.

(16) *See* Jennifer Learning and Langley Keyes, eds., *The Counterfeit Ark: Crisis Relocation for Nuclear War* (Cambridge, Mass.: Ballinger Publishing Company, 1984).

(17) "Sensible Nuclear Ethics," *America,* March 19, 1983, p. 201.

(18) John Courtney Murray, S.J., *We Hold These Truths: Catholic Reflections on the American Proposition* (New York: Sheed and Ward, 1960), p. 266.

(19) Dietrich Bonhoeffer, *Ethics.* Edited by Eberhard Bethge. (New York: Macmillan Publishing Company, 1965), p. 160.

(20) Ibid., p. 164.

(21) Written statement of Howard Maccabee in *Civil Defense,* Hearings before the Committee on Armed Services, House of Representatives, 98th Congress, April 5, 1983 [H.A.S.C. No. 98-6 (Park 8 of 8 Parts)], p. 165.

(22) *Gaudium et Spes (Pastoral Constitution on the Church in the Modern World),* #80, in Walter M. Abbott, S.J., and Joseph Gallagher, eds., *The Documents of Vatican II* (New York: The America Press, Association Press, 1966), p. 294.

(23) "Taking Steps to Avoid Nuclear War," *Origins,* Vol. 12, No. 33, January 27, 1983, p. 531.

(24) Francis A. Boyle, "International Law as a Basis for Conducting American

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Foreign Policy: 1979-1982," *The Yale Journal of World Public Order,* Vol. 8, No. 1, Fall 1981, p. 108.

(25) *Krasnaya Zvezda (Red Star),* October 3, 1982; translation in *Strategic Review,* Winter 1983, pp. 97-98, as "The 50th Anniversary of USSR Civil Defense."

(26) N.V. Karabonov, *Filosofskoe nasledie V.I. Lenina i problemy sovremennoi voiny* ("The Philosophical Heritage of V. I. Lenin and the Problems of Contemporary War") (Moscow, 1972), pp. 18-19; cited in Richard Pipes, "Why the Soviet Union Thinks It Could Fight and Win a Nuclear War," *Commentary,* July 1977.

(27) General-Major A.S. Milovidov; cited in Albert L. Weeks and William C. Bodie, eds., *War and Peace: Soviet Russia Speaks* (New York: National Strategy Information Center, 1983), p. 16.

(28) Robert Edward Kirshensteyn, "Civil Defense Program of the USSR," *Journal of Civil Defense,* June 1983, p. 7. *See also* Richard E. Sincere, "Soviets are prepared for 'Day After,'" *Kansas City Times,* November 22, 1983.

(29) *Public Opinion Report* Issue #11, September 15-30, 1982. Available also as "Heritage Foundation Study No. 5" from Sindlinger and Company, Inc., 600 North Jackson Street, Media, Pennsylvania 19063.

(30) "Backgrounder: Result of Third Gallup Civil Defense Survey," FEMA News Release No. 82-100, December 28, 1982.

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# THE INTERNATIONAL DEBT CRISIS: RHETORIC VS. REALITY

By James R. Barth, Michael D. Bradley and Neela D. Manage

## 1. Introduction

One of the most serious financial problems facing industrialized countries and private lenders today is international debt. There is a growing concern about the ability or willingness of many less developed countries (LDCs) and Eastern bloc countries to repay their debts. Such fears initially arose when Poland rescheduled some of its debt in late 1981 and when Mexico had similar difficulties in 1982 resulting in a suspension of its debt payments to foreign banks. Since then many LDCs and Eastern bloc countries have experienced similar difficulties. Indeed, approximately $100 billion of international debt of some 15 countries has been rescheduled since October 1982. Recently, Bolivia suspended payments on its $1.05 billion debt to foreign commercial banks and announced that it was limiting repayments to international lending organizations to 25 percent of its earnings from exports, A week later, Ecuador suspended payments on $247.5 million of debts to commercial banks due between now and the end of 1985. There are fears that other debtors owing much larger debts and facing similar difficulties servicing their foreign debts will take similar action, thereby leading to a major collapse of the international banking system. (1)

The total outstanding external debt of non-oil LDCs is estimated to be $711 billion in 1984 and $88 billion for the Eastern bloc nations in 1982. Approximately half of this is owed to private creditors, including international banking organizations. Any widespread default or suspension of debt payments could conceivably result in a breakdown of the international banking system and thus produce a sharp curtailment of international trade as credit became increasingly restricted. However, this is a rather remote possibility, especially if institutions already in place fulfill their legislated responsibilities.

The controversy over an appropriate solution to the debt problem revolves around the liquidity and solvency of debtor countries. If the debt problem is viewed as one of illiquidity the

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debtor countries are experiencing only temporary difficulties in servicing their debts, but remain essentially solvent. On the other hand, if the debtor countries are insolvent, they are not only experiencing short run problems, but more importantly will be unable to service their existing debts even in the long run.

The plan of the remainder of this article is as follows. Section 2 provides an overview of some basic issues regarding the origin and size of the international debt problem. Section 3 discusses the implications of the debt problem for the U.S. banking system and U.S. trade. Alternative proposals for reform are then examined in Section 4. Section 5 contains the conclusions.

## 2. The International Debt Problem

It is currently agreed that international debt poses a major problem for industrialized countries and the international financial system. To understand the dimensions of the debt problem and the long-term solutions needed to avert a world-wide crisis it is necessary to discuss the origin and size of the problem as well as outline important and recent developments in its evolution.

### Origin of the International Debt Problem

There is a general consensus that the extension of international credit per se is not the cause of the current debt problem. International debt, like domestic debt, arises quite naturally in relatively unrestricted capital markets where both creditors and debtors received benefits that are not available from domestically generated and circulated funds. Debtors use borrowed funds to increase consumption, increase the capital stock or some mix of the two. The more the debt is utilized to finance investment in productive plant and equipment and infrastructure, however, the higher will be the rate of output growth which means increased future consumption as well as an increase in the country's debt servicing capacity. Creditors gain from the extension of international credit because they prefer the compensation they receive abroad to that which they would receive by lending the funds domestically.

Of course, international lending, like domestic lending, involves risk. If the mix of domestic spending in the debtor country does not generate long run output growth which is

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sufficient to repay external debt, the country is essentially insolvent. Unlike domestic lending, however, foreigh lending entails a different type of risk due to the lack of an international mechanism for enforcing contracts in the event of default and exchange rate fluctuations. Default losses may be reduced in the case of domestic loans when loans are guaranteed by the government (given its power to tax and print money) or when creditors use "creditor remedies" such as garnishment or wage assignment to obtain a part of the debtors' income or take possession of the debtors' assets. Taking possession of assets or using creditor remedies, however, is a cumbersome and complicated process when foreign debtors default. It is for this reason that foreign loans are usually guaranteed by the foreign governments. In this case the power to tax and print money cannot be used by foreign governments to solve the debt problem because the debt is denominated in foreign currencies, mainly U.S. dollars. A rise in the value of the dollar therefore only exacerbates the problem of the debtor nations.

The factors that have contributed to and precipitated the international debt problem may be described in terms of a series of economic developments in the world economy during the last few years. When oil prices skyrocketed in the early 1970s, oil producing countries accumulated large amounts of "petrodollars" that were recycled by international banks to non-oil producing developing countries (including Mexico) to help finance their imports. Throughout the 1970s the debt extended to the LDCs and the Eastern bloc countries was manageable, particularly since "real" interest rates were quite low or negative during this period. This situation changed dramatically during the 1981-1982 worldwide recession. First, real interest rates rose to relatively high levels and the value of the dollar increased substantially relative to the currencies of the debtor countries. Since much of the debt is denominated in U.S. dollars and carries a floating interest rate, these developments sharply increased their debt burden. Second, the recession reduced the demand for exports from the debtor countries which worsened their trade deficits and thus debt servicing capacity. To make matters worse, a substantial portion of these loans have a very short maturity structure which requires frequent refinancing. Short-term debt is also highly sensitive to fluctuations in interest rates so that refinancing becomes a major problem, especially when debtor countries are having

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serious difficulties in making just the interest payments on their debts. Developments since the end of the U.S. recession in 1982 indicate that the relative price of oil versus other commodities has changed in favor of the debtor countries, thereby improving the merchandise trade and current accounts for the large Latin American countries that are heavily in debt to the U.S. banks. However, these improvements have not generated sufficient foreign exchange reserves to keep pace with the sharply rising burden due to rising real interest rates and an appreciating dollar.(2)

Fiscal and monetary policies in the U.S. have indirectly contributed to a worsening of the international debt problem. A few years ago the Federal Reserve System decided to bring down inflation by implementing a relatively unsteady but nonetheless significant reduction in money growth. This resulted in sluggish output growth, high real interest rates and a sharp appreciation of the dollar in foreign markets. Despite the recovery in early 1983, rates of interest in the U.S. economy have not only remained at relatively high levels when compared to similar stages of previous postwar recoveries but have recently been increasing. Many attribute these high interest rates in large part to the U.S. Congress's failure to deal adequately with the sizeable projected budget deficits.

The monetary and fiscal policies of the debtor nations also affect the debt situation. To the extent these policies have not been coordinated to stabilize prices and minimize budget deficits at a level of governmental spending aimed at achieving longer term real growth, borrowing from abroad was a way to avoid making hard budgetary decisions. The worldwide recession has only accelerated the problems associated with simultaneously achieving higher domestic growth and repaying foreign debts. The concern now, of course, is whether these countries have already overextended themselves or whether an adjustment in fiscal and monetary policies together with a worldwide recovery is sufficient to make the debt burden manageable.

## Size and Evolution of the International Debt Problem

The total external debt of non-oil developing countries was $710.9 billion in 1984 (see Table 1), increasing more than fivefold over the past decade. Compared to gross domestic product

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(GDP), debt rose to nearly 40 percent of GDP in 1984 from just over 20 percent in 1973. The debt problem, however, is more clearly reflected in the recent trend in and composition of the service payments on the debt. Since 1980 interest payments have consistently exceeded amortization, and by 1984 the interest payments alone were $63.7 billion.

Since exports are an important source of foreign exchange, it is useful to express the debt service payments as a share of the value of the exports of goods and services. The calculations in Table 1 indicate that the interest payments ratio was relatively flat during the 1973-77 period, after which it started climbing until 1981-82 when it was roughly double its 1973 level (12 percent versus 6 percent). This means that in recent years roughly 12 percent of all export earnings was necessary to meet simply the interest payments on the external debt. This sharp upturn in interest payments is generating most of the current concern especially when one considers that a large portion of the debt is owed to private creditors.

Private creditors specifically account for $388 billion of the long-term international debt in 1984, with another $235 billion in long-term debt owed to official creditors. Even though $284 billion of the former debt is guaranteed, some question the validity of the assumption that sovereign debt will not be repudiated. Coupled with the fact that most of this kind of debt is held by commercial banks, it is no wonder that some are concerned about the stability of the international financial system.

One weakness in interpreting the figures in Table 1 is that they are based on data for 115 countries and, therefore, mask potentially wide differences among countries. For example, 10 of the 115 countries account for over 50 percent of the group's external debt and nearly 70 percent of the debt owed to private creditors, but only about 40 percent of GDP and just over 30 percent of exports.(3)

A more detailed description of the debt position of the major Latin American borrowers is presented in Table 2. Over the 1973-82 period, the total outstanding guaranteed debt of these borrowers increased at an average annual rate of 21 percent, compared to a 17 percent growth rate for all non-oil developing countries. These major borrowers have experienced an increase in debt service payments in both absolute and relative terms. Between 1973 and 1983 the value of debt service payments

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rose to $25.4 billion from $3.2 billion. As a percentage of total debt, debt service rose to 19.4 from 15.8. Finally, the burden of these payments when measured in terms of either GDP or exports has increased substantially. As a percent of GDP, debt service payments of the top five Latin American borrowers more than doubled over the 1973-82 period, rising to 4.3 from 1.6 percent. The ratio of debt service payments to exports also more than doubled, rising from 11.1 to 24.6 percent. The bottom line is that on average nearly 25 percent of the exports of these countries is now needed for interest and amortization payments on their outstanding debt, with most being for just interest.

The situation is even more dramatic for individual countries. In Mexico the debt service ratio as a percent of exports increased from 22 percent in 1973 to over 30 percent in 1982. In Argentina and Brazil, the same ratio rose from approximately 18 percent and 13 percent to 25 percent and 32 percent, respectively.

The debt situation for the U.S.S.R. and five Eastern European countries is presented in Table 3. In 1982 the total external debt owed by these countries was $88.1 billion. At the top of the list in terms of total indebtedness is Poland with $24.8 billion of foreign debt. As a percent of gross national product (GNP), however, debt was highest for Yugoslavia and the U.S.S.R., both having a debt to GNP ratio of 33.8 percent. When debt is expressed as a percentage of exports, once again it was highest in Poland.

Finally, examining the sources of international credit to the five major Latin American borrowers reveals that the role of guaranteed private creditors has increased dramatically during the past decade. In 1973 private creditors provided about $13.2 billion in loans as compared to $7.1 billion provided by official creditors. By 1982 official credits increased to $18.9 billion while private credits increased to $112.2 billion (an increase in private credit of 750 percent). This represents almost 30 percent of the total private credit available to 115 developing countries. The amount of debt owed by these five large borrowers to private creditors largely explains the concern over the stability of the international financial system, especially the private banking system.

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### 3. Major Implications of the Debt Problem

Two major implications of the international debt situation for the U.S. economy will now be discussed. First, since a substantial portion of the foreign debt is owed to U.S. commercial banks, some argue that defaults by LDCs could conceivably result in the insolvency of major U.S. banking organizations.(4) The debt problem is therefore seen by many as a threat to the stability of the U.S. banking system. Even if defaults were not widespread enough to cause a collapse of the banking system, many believe they nonetheless could trigger substantial reductions in U.S. exports to debtor countries, thereby reducing income and employment and thus threatening economic growth in the United States

#### The U.S. Banking System and Defaults on Foreign Debt

A large part of the debt problem facing the U.S. is concentrated among the largest commercial banks. As a result, any problems they experience due to debtor countries' inability to service their debt may conceivably have serious repurcussions throughout the entire financial system. Depositors may start a 'run' on the banking system in an effort to protect their funds which, if unchecked, could force otherwise economically healthy banks into insolvency. The role of the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve System is crucial if a series of defaults or a large-scale postponement in debt repayment creates such a panic. To determine the extent of the risk posed by the international debt problem to the U.S. banking system it is useful to examine the concentration of foreign debt in U.S. banks and to compare the market value of this debt to its book value. The appropriate role for the FDIC and the Federal Reserve in the event of a panic should also be examined.

Total debt owed to U.S. and non-U.S. banks increased rather sharply during the 1975-83 period, from $63 billion in 1975 to $292 billion in 1983 (see Table 4). U.S. banks certainly participated in this growth, but at a somewhat lower rate than non-U.S. banks so that their share of the total declined from nearly 55 percent in 1975 to about 36 percent in 1983. Only three countries (Argentina, Brazil, and Mexico) account for approximately half this debt.

External debt owed to U.S. banks by most Eastern Euro-

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pean borrowers, with the exception of Hungary and Yugoslavia, actually declined over the 1978-1982 period (see Table 5). Over this same period, the share of U.S. banks in total claims on these borrowers also declined.

At the top of the list of countries in terms of total indebtedness to banks is Mexico, with Brazil a close second (Table 6). These two countries account for nearly $130 billion of total bank claims. Three other South American countries are included in the top six borrowers, which explains the frequent references to the "Latin American" debt problem.

As can be seen from Table 7, public borrowers owe a substantial portion of the total debt. Moreover, approximately sixty percent of the debt has a maturity of one year or less, with a relatively small portion having a maturity of over five years. This means that meeting the scheduled service payments or rolling over the debt becomes much more dependent on short-run factors and, thus, requires more careful long-run planning.

Further, a large part of the debt problem is concentrated among a few banks. Non-oil developing countries owed about $107 billion to all reporting banks (171 U.S. banking organizations) at the end of 1983, slightly over half of which was owed by Argentina, Brazil, and Mexico. However, the twenty-four largest banks account for approximately 82 percent of this amount, or $87 billion. Moreover, the nine largest banks are owed more than three times as much as the next fifteen largest banks ($65.8 billion vs. $21.6 billion). Thus, the nine largest account for about 62 percent of the total owed to all U.S. reporting banks.

To determine the effect of defaults on the solvency of banks (a bank becomes insolvent when its net worth — assets minus liabilities — becomes negative) it is useful to compare debt to bank capital. From 1977 through 1983, for both all reporting banks and the nine largest banks, capital has not increased as rapidly as have loans extended to developing countries (see Table 8). Specifically, claims on non-oil LDCs as a percent of capital for all reporting banks increased from 115 in 1977 to 135 in 1983. If all 115 of these countries defaulted and their debt was immediately reduced in value to zero, then all 171 reporting banks would become insolvent. To prevent this from happening banks would have to increase their capital by 35 percent, or $27.8 billion. Even though the banks would

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still have assets, a drop in total assets by $106.8 billion (from $1336.0 billion to $1229.2 billion) would exceed their total capital of $79.3 billion, thereby forcing the banks into insolvency. For the nine largest banks, the situation is much more severe, since their claims as a percent of capital rose from 163 in 1977 to 209 in 1983 for all non-oil developing countries. Again, if all the 115 countries simultaneously defaulted the nine banks would become insolvent, and they would have to increase their capital by 109 percent to prevent insolvency.

The international debt problem, however, should not be viewed in terms of all 115 non-oil LDC countries defaulting at once. Some of the loans, both public and private, are considered to be quite secure. There is, in other words, substantial variation in the riskiness of the loans that have been made. If just three of the major debtors are separated out from the 115 countries, the extent of the problem becomes substantially modified. If, for example, Argentina, Brazil and Mexico had defaulted on their debts in 1983, reporting banks as a group would have remained solvent and still have had a capital cushion of nearly $24 billion. The capital of the nine largest banks was sufficient to cover defaults by these three countries from 1977 through 1980. During 1983, however, their capital fell short by $1.3 billion, or roughly 4 percent of their total capital. If Mexico were not to default, capital for these nine banks would have been more than adequate to cover defaults by Argentina and Brazil.(5)

An assessment of the impact of defaults on the solvency of banks should distinguish between the book value and the market value of foreign debt. (The book value is simply the value of foreign debt as it is carried in the bank books, whereas the market value is the value of foreign debt if banks were to sell it in the market place.) This is important because not all foreign debt is worthless. More specifically, the market value is determined by the extent to which countries are likely to fulfill at least some of the contractual terms of their loans. The precise market value of debt is currently uncertain, since it does not trade in a well-established secondary market.(6) However, rough calculations can be made to gauge what might happen to U.S. banks if their debt was sold off at market prices that are below the book price. For all reporting banks, their total loans to non-oil developing countries could be sold off (or written down) by 74 percent of book value with the banks remaining

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solvent. For the nine largest banks, the corresponding percentage is 48 percent. If the calculations are restricted to Argentina, Brazil, and Mexico, then all reporting banks could simply write off the debt and still remain solvent. The nine largest banks could sell of or write down the debt by 96% of book value and still remain solvent. These calculations suggest that the interntional debt problem is far less severe as long as the market value of the debt remains substantially above zero. And this will be the case as long as most financially pressed countries remain committed to avoiding total repudiation of debt because of fear of not being able to borrow future funds for imports. Even a partial default resulting in the repayment of part of the debt puts the problem in a more favorable light. It should be noted that by permitting banks to write off any defaulted debt over a number of years rather than immediately if the market value were reduced might also enable banks to avoid insolvency as well as have less of an adverse effect on their current profits.

Some argue that without additional World Bank, IMF, and U.S. as well as other governmental assistance the international debt problem may become unmanageable, and thereby result in massive bank failures and the collapse of the entire U.S. banking system. However, when one examines the role of the Federal Reserve System and the FDIC during a banking crisis such a collapse need not result from a default by debtor countries. If a bank run were to begin, the Federal Reserve could simply open its discount window and make loans to those solvent banks that are experiencing heavy deposit withdrawals. If the Federal Reserve thus fulfills its responsibilities as a lender-of-last-resort any liquidity crises that banks might experience would be prevented from leading to widespread insolvencies and failures. Some banks might fail due to too many foreign loans turning bad, and uninsured depositors and shareholders might suffer losses, but this is inevitable in a world of risk and uncertainty. Governmental actions aimed solely at preventing these consequences may properly be termed "bailouts". As protection for "smaller" depositors, as well as a way to reduce the likelihood of bank runs, the FDIC insures depositors up to $100,000 in the event of default, with strong evidence that even depositors with over $100,000 will be protected if large banks encounter financial difficulties.

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## U.S. Trade and Defaults on Foreign Debt

Defaults on foreign loans may have adverse impacts on U.S. exports, employment, and income as debtor nations reduce their imports due to insolvency. This is a factor worth considering since the relative importance of non-oil developing countries in U.S. trade has increased in recent years. In 1970, 24 percent of U.S. exports went to non-oil developing countries; by 1980, these exports represented 29 percent of total U.S. merchandise trade, or $63.3 billion. U.S. imports from non-oil developing countries have also grown, comprising 14 percent of total U.S. imports in 1970 and increasing to 24 percent, or $61.6 billion, by 1980. Since then, however, U.S. exports to non-oil developing countries have decreased significanly.

This decline in trade is even more dramatic when one focuses on the top five Latin American borrowers (see Table 9). In 1980, U.S. exports to the top five Latin borrowers was $28 billion. By 1983, exports had dropped to only $16.1 billion. Also important is the decline in U.S. exports to all Latin American countries as a group, from $39.0 billion in 1981 to $22.6 billion in 1983. This decline accounted for nearly half of the decrease in total U.S. exports – from $233.7 billion in 1981 to $200.5 billion in 1983.

Clearly, some of the decline in U.S. exports to non-oil developing countries is related to their debt problem. But some of the decline in exports is also a function of the general decline in world economic activity, especially in the U.S., during this period.

While U.S. exports to Latin American borrowers have declined, imports from these countries have increased. This is particularly the case for Brazil, Chile, and Mexico, where their exports to the U.S. increased by 33.1, 88.2, and 33.4 percent, respectively (Table 9). These increases, of course, help these countries ease their debt burdens by providing them with additional U.S. dollars.

It is not surprising that given the increased debt burden, one should observe a reduction in U.S. exports and an increase in U.S. imports from the major debtors. An examination of debt service payments as a percentage of exports for a number of major borrowers in 1982 reveals that in cases such as Mexico, Brazil, Argentina, and Chile, where this ratio is well above 35 percent, imports have declined substantially. Each of these

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countries has simultaneously endeavored to expand exports. Even without IMF pressure, given the relative importance of non-oil developing country trade for the U.S., such actions cause decreases in U.S. exports to these countries and increases in U.S. imports from them. The increased imports, of course, are largely due to growth in U.S. income and stronger value of the U.S. dollar in foreign exchange markets.

As an indication of the potential impact on the economy of a major reduction in non-oil developing country imports from the U.S., it has been estimated that in 1980 each billion dollars of goods exported supported 23,700 U.S. jobs. Furthermore, increased LDC exports to the U.S. would also adversely affect U.S. employment. In efforts to keep these countries solvent, by increasing imports from and by decreasing exports to these countries, the U.S. may adversely affect employment in both its import competing sectors and its export sectors. Although the pressures for increased protectionism and subsidization mount under such circumstances, it should be realized that these effects arise naturally in course of dealing with the debt problem.

### 4. Resolving the International Debt Problem

The conflict over how to resolve the debt problem centers on the extent to which there is a sizable risk of default as well as a collapse in international banking and trade. The resolution of the problem, however, is important not only for the short-run stability of the international system but also for minimizing any recurrence in the future. Most important are the incentive effects that are associated with alternative proposals since they will affect the behavior of current and prospective creditors and debtors.

Much of the disagreement over what should be done about the debt problem revolves around the difference between "illiquid" and "insolvent" countries. If a country is illiquid it is considered to have an external debt whose service payments cannot temporarily be met on existing terms but which nonetheless are sustainable on a longer-term basis. If a country is insolvent, on the other hand, it is considered to have an external debt whose service payments not only cannot be met in the short run but cannot be sustained in the long run. It is not easy to determine whether a country is insolvent rather than simply

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illiquid, partly because of the difficulty in distinguishing between a country's unwillingness and its inability to repay its debts.

If the debt problem is one of illiquidity, it is argued that illiquid countries should be given sufficient financial assistance to keep them from becoming insolvent. In the short run, these countries will need "bridge loans" from the IMF and commercial banks as well as other assistance from such organizations as the World Bank and the Export-Import Bank. Currently the IMF is a focal point for the collection and dissemination of much of the information needed to assess the credit-worthiness of developing countries. It is also in a position to provide funds to those countries facing severe liquidity problems, something which some argue private banks may not be currently doing in sufficient amounts. However, there is still the issue of what form the recent increase in IMF liabilities should have taken. Should the liabilities have been increased by borrowing in private capital markets or by increasing the quotas of the 146 member nations? If the current debt problem is temporary, then one would think that the increase should also have been temporary. As Michele Fratianni states, "the basic objection to a quota increase is that member governments are asked to provide a permanent increase in IMF resources to solve a temporary problem."(7) This reasoning would have favored an increase in borrowing on the part of the IMF, since the borrowing would be repaid as the liquidity problem disappears. The IMF would thus be right back where it started in terms of liabilities outstanding.

Regardless of what action was taken, the role of the IMF is changing from the one it played before 1971, when the IMF provided short-term loans to member countries encountering balance of payments problems. Some argue that since 1971 the IMF has been searching for something to do now that the fixed-exchange rate system has been replaced by a flexible-exchange rate system. According to this view, the IMF is using the debt problem to justify a new and larger role for itself.(8) This is considered to be particularly troublesome because it takes in funds at one rate and loans them out at another rate that is typically lower.(9) Furthermore, despite talk to the contrary, the IMF is currently not an international lender-of-last-resort. To serve as one the IMF would need to be able to create money

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TABLE 1

Non-Oil Developing Countries: External Debt
(Billions of Dollars)

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Outstanding debt | 130.1 | 160.8 | 190.8 | 228.0 | 280.3 | 334.3 | 395.3 | 475.2 | 559.6 | 633.3 | 668.6 | 710.9 |
| Short-term debt | 18.4 | 22.7 | 27.3 | 33.2 | 43.2 | 51.6 | 59.1 | 84.5 | 103.8 | 125.1 | 102.2 | 88.2 |
| Long-term debt | 111.8 | 138.1 | 163.5 | 194.9 | 237.2 | 282.7 | 336.2 | 390.8 | 455.8 | 508.2 | 566.4 | 622.8 |
| By type of creditor | | | | | | | | | | | | |
| Official creditors | 51.0 | 60.1 | 70.3 | 82.4 | 97.6 | 116.3 | 133.4 | 153.2 | 170.2 | 189.3 | 211.9 | 235.0 |
| Governments | 37.3 | 43.4 | 50.3 | 57.9 | 68.3 | 80.5 | 90.1 | 101.8 | 111.5 | 123.2 | 138.3 | 153.3 |
| International institutions | 13.7 | 16.6 | 20.3 | 24.8 | 29.3 | 35.8 | 43.2 | 51.4 | 58.6 | 66.1 | 73.7 | 81.7 |
| Private creditors | 60.8 | 77.9 | 95.1 | 114.8 | 139.6 | 166.4 | 202.8 | 237.6 | 285.6 | 318.9 | 354.5 | 387.8 |
| Unguaranteed debt | 29.3 | 36.0 | 40.8 | 45.9 | 50.4 | 51.7 | 62.4 | 75.2 | 94.2 | 102.0 | 104.2 | 103.4 |
| Guaranteed debt | 31.5 | 42.0 | 52.4 | 66.6 | 89.2 | 114.7 | 140.4 | 162.4 | 191.4 | 216.9 | 250.2 | 284.4 |
| Financial institutions | 17.3 | 25.6 | 36.7 | 49.0 | 63.1 | 83.7 | 108.0 | 128.9 | 154.7 | 176.4 | 209.6 | 243.2 |
| Other private creditors | 14.2 | 16.3 | 17.6 | 19.8 | 26.1 | 31.0 | 32.4 | 33.5 | 36.7 | 40.5 | 40.6 | 41.2 |
| Value of debt service payments | 17.9 | 22.1 | 25.1 | 27.8 | 32.8 | 47.5 | 61.0 | 73.4 | 97.2 | 107.7 | 96.6 | 103.4 |
| Interest payment | 6.9 | 9.3 | 10.5 | 10.9 | 12.7 | 18.1 | 25.9 | 39.0 | 54.7 | 63.0 | 59.2 | 63.7 |
| Amortization | 11.1 | 12.8 | 14.6 | 16.8 | 20.2 | 29.4 | 35.1 | 34.3 | 42.5 | 44.6 | 37.4 | 39.7 |
| Debt service ratio[1] | 15.9 | 14.4 | 16.1 | 15.3 | 14.8 | 18.1 | 18.1 | 17.2 | 21.3 | 24.5 | 21.6 | 21.1 |
| Interest payments ratio | 6.1 | 6.1 | 6.7 | 6.0 | 5.7 | 6.9 | 7.7 | 9.1 | 12.0 | 14.3 | 13.2 | 13.0 |
| Amortization ratio | 9.8 | 8.3 | 9.4 | 9.3 | 9.1 | 11.2 | 10.4 | 8.0 | 9.3 | 10.2 | 8.4 | 8.1 |
| Ratio of external debt to exports of goods and services[2] | 115.4 | 104.6 | 122.4 | 125.5 | 126.1 | 217.7 | 117.2 | 111.2 | 122.5 | 144.1 | 149.5 | 144.7 |
| Ratio of external debt to GDP[2] | 22.4 | 21.8 | 23.8 | 25.7 | 23.7 | 24.1 | 23.3 | 23.9 | 27.1 | 32.5 | 36.7 | 37.5 |

[1]Payments (interest, amortization, or both) as percentages of exports of goods and services.

[2]Ratio of year-end debt to exports and GDP for year indicated.

Source: World Economic Outlook, 1984.

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TABLE 2

External Debt of the Top Five Latin American Borrowers[1]
(Billions of Dollars)

| | 1973 | 1975 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|---|---|
| Outstanding disbursed debt | 20.3 | 33.4 | 55.8 | 73.6 | 87.9 | 98.9 | 113.7 | 131.0 |
| By type of creditor | | | | | | | | |
| Official creditors | 7.1 | 10.3 | 12.0 | 13.4 | 14.0 | 15.3 | 16.7 | 18.9 |
| International institutions | 3.1 | 4.3 | 5.5 | 6.4 | 7.1 | 8.0 | 9.0 | 10.9 |
| Governments | 4.0 | 6.0 | 6.5 | 7.0 | 6.9 | 7.3 | 7.7 | 8.0 |
| Private creditors | 13.2 | 23.2 | 43.8 | 60.3 | 73.9 | 83.6 | 97.0 | 112.2 |
| Financial institutions | 9.9 | 19.6 | 39.1 | 54.6 | 69.0 | 79.2 | 93.0 | 108.4 |
| Other private creditors | 3.3 | 3.6 | 4.7 | 5.7 | 4.9 | 4.4 | 4.0 | 3.8 |
| Value of debt service payments | 3.2 | 5.1 | 9.2 | 14.8 | 16.1 | 22.3 | 24.5 | 25.8 |
| Interest payments | 1.0 | 2.2 | 3.2 | 4.8 | 7.5 | 10.5 | 13.2 | 15.3 |
| Amortization | 2.2 | 2.9 | 6.0 | 10.0 | 8.6 | 11.8 | 11.3 | 10.1 |
| Debt service ratio (as a percent of GDP) | 1.6 | 1.8 | 3.0 | 3.5 | 2.4 | 3.4 | 3.4 | 4.3 |
| Debt service ratio (as a percent of exports) | 14.3 | 16.1 | 22.3 | 31.2 | 24.8 | 25.3 | 24.6 | n.a. |

1. The figures in this table reflect guaranteed public and private debt. Data for unguaranteed debt is unavailable for most Latin American countries. Top five Latin American borrowerd are Mexico, Brazil, Venezuela, Argentina, and Chile.

Source: World Debt Tables, 1983-84.

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TABLE 3

Measures of Relative Debt Burden of the USSR, Eastern European and Selected Latin American Countries

(December 1982)

| Country | ($ billions) | Debt per Capita ($) | Debt / GNP | Debt / Exports | Debt Service / Exports |
|---|---|---|---|---|---|
| USSR | 20.1 | 74 | 1.2% | 59% | 16% |
| Czechoslovakia | 4.0 | 260 | 2.7 | 98 | 19 |
| GDR | 13.1 | 783 | 7.5 | 182 | 64 |
| Hungary | 7.8 | 729 | 11.3 | 160 | 38 |
| Poland | 24.8 | 685 | 13.3 | 513 | 193 |
| Yugoslavia | 18.3 | 809 | 33.8 | 312 | 65 |
| Argentina | 36.5 | 1,285 | 61.3 | 480 | 104 |
| Brazil | 86.3 | 676 | 29.1 | 428 | 88 |
| Mexico | 84.6 | 1,186 | 50.3 | 403 | 53 |

Source: "Statistical Abstract of East-West Trade Finance," International Trade Administration, U.S. Department of Commerce, December 1983.

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TABLE 4

Bank Claims on Non-Oil Developing Countries
(Billions of Dollars)

| | Claims on all Countries | | | | Claims on Argentina, Brazil and Mexico | | | |
|---|---|---|---|---|---|---|---|---|
| | TOTAL | U.S. BANKS | NON-U.S. BANKS | U.S. SHARE TOTAL (%) | TOTAL | U.S. BANKS | NON-U.S. BANKS | U.S. SHARE TOTAL (%) |
| 1975 | 62.7 | 34.3 | 28.5 | 54.5 | 31.5 | 18.7 | 12.8 | 59.4 |
| 1976 | 80.9 | 43.1 | 37.8 | 53.3 | 42.5 | 24.7 | 17.8 | 58.1 |
| 1977 | 94.3 | 46.9 | 47.4 | 49.7 | 50.2 | 25.8 | 24.4 | 51.3 |
| 1978 | 131.3 | 52.2 | 79.1 | 39.8 | 63.2 | 26.8 | 36.4 | 42.4 |
| 1979 | 171.0 | 61.8 | 109.2 | 36.4 | 83.0 | 29.9 | 53.1 | 36.0 |
| 1980 | 210.2 | 75.4 | 134.8 | 35.9 | 108.1 | 37.0 | 71.1 | 34.2 |
| 1981 | 235.5 | 92.8 | 160.7 | 36.6 | 134.5 | 46.7 | 87.8 | 34.7 |
| 1982 (June) | 268.3 | 98.6 | 169.7 | 36.7 | 145.0 | 52.4 | 92.6 | 36.1 |
| 1983 (June) | 291.8 | 105.1 | 186 | 136.0 | 153.8 | 55.1 | 98.7 | 35.8 |

Source: Statement by Paul A. Volker, Chairman, Board of Governors of the Federal Reserve System, before the Committee of Banking, Finance and Urban Affairs, House of Representatives, February 2, 1983, and "The Maturity Distribution of International Bank Lending," Bank for International Settlements, December 1983.

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TABLE 5

U.S. and Non-U.S. Bank Claims
on Eastern European Countries
(Millions of Dollars)

| | 1978 | | 1979 | | 1980 | | 1981 | | 1982 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. BANK | % TOTAL | U.S. BANK | % TOTAL | U.S. BANK | % TOTAL | U.S. BANK | % TOTAL | U.S. BANK | % TOTAL |
| USSR | 1266 | 9.7 | 707 | 5.4 | 491 | 3.7 | 554 | 3.4 | 223 | 1.5 |
| Czechoslovakia | 196 | 9.5 | 237 | 7.9 | 182 | 5.1 | 209 | 6.3 | 155 | 5.9 |
| GDR | 1363 | 20.1 | 1390 | 16.3 | 1356 | 13.7 | 1112 | 10.4 | 866 | 9.8 |
| Hungary | 837 | 12.2 | 1006 | 12.7 | 886 | 11.1 | 1092 | 14.2 | 911 | 13.5 |
| Poland | 1216 | 9.7 | 1413 | 8.9 | 1461 | 9.0 | 1197 | 7.8 | 1126 | 8.1 |
| Yugoslavia | 1511 | 24.6 | 1893 | 23.0 | 2328 | 22.4 | 2590 | 24.2 | 2446 | 24.9 |

Source: "Statistical Abstract of East-West Trade Finance,"
International Trade Administration, U.S Department of Commerce,
December 1983.

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TABLE 6

U.S. and Non-U.S. Bank Claims on
Major Latin American Countries

(June 1983)

| Country | Total | U.S. | Non-U.S. | U.S. Share Total (%) |
|---|---|---|---|---|
| Mexico | 65.5 | 25.4 | 40.1 | 38.8 |
| Brazil | 62.8 | 21.6 | 41.2 | 34.4 |
| Venezuela | 26.8 | 11.0 | 15.8 | 40.7 |
| Argentina | 25.5 | 8.1 | 17.4 | 32.0 |
| Chile | 10.9 | 5.9 | 5.0 | 54.1 |

Source: "Maturity Distribution of International Bank Lending," December 1983, Bank for International Settlements.

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TABLE 7

Amounts Owed to U.S. Banks by Foreign Borrowers
(Billions of Dollars, December 1983)

| | | Portion of Total Owed By | | | Maturity Distribution of Amounts Owed | | |
|---|---|---|---|---|---|---|---|
| | Total | Banks | Public Borrowers | Private Non-Bank Borrowers | One Year & Under | Over One to 5 years | Over 5 Years |
| All Reporting Banks | | | | | | | |
| Non-Oil Developing Countries | 106.8 | 34.9 | 42.6 | 29.2 | 59.2 | 30.2 | 17.4 |
| Argentina | 8.5 | 2.3 | 3.6 | 2.6 | 6.0 | 1.9 | 0.6 |
| Brazil | 20.7 | 8.2 | 8.3 | 4.2 | 8.2 | 7.4 | 5.1 |
| Mexico | 26.3 | 4.5 | 12.0 | 9.8 | 13.3 | 7.5 | 5.5 |
| Nine Largest Banks | | | | | | | |
| Non-Oil Developing Countries | 65.8 | 17.6 | 29.3 | 18.9 | 36.3 | 18.9 | 10.6 |
| Argentina | 5.4 | 1.0 | 2.6 | 1.8 | 4.0 | 1.1 | 0.3 |
| Brazil | 13.3 | 4.2 | 6.1 | 3.0 | 4.9 | 5.2 | 3.2 |
| Mexico | 14.1 | 2.3 | 7.1 | 4.7 | 7.0 | 3.8 | 3.3 |
| Next 15 Largest Banks | | | | | | | |
| Non-Oil Developing Countries | 21.6 | 9.3 | 6.5 | 5.8 | 12.7 | 5.1 | 3.8 |
| Argentina | 2.0 | 0.8 | 0.6 | 0.6 | 1.4 | 0.4 | 0.2 |
| Brazil | 4.3 | 2.2 | 1.3 | 0.8 | 2.0 | 1.1 | 1.2 |
| Mexico | 5.3 | 0.9 | 1.8 | 2.6 | 2.8 | 1.5 | 1.0 |

Source: Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, House of Representatives, February 2, 1983, and Country Exposure Lending Survey, December 1983, Federal Financial Institution Examination Council.

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TABLE 8

U.S. Bank Claims on Selected and All Non-Oil Developing Countries

ALL REPORTING BANKS
(Data cover 171 U.S. banking organizations for 1983

| | Claims (billions of dollars) | | | | | Claims as Percent of Capital | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| End of Period | Argentina | Brazil | Mexico | Total 3 Countries | All Non-Oil Developing Countries | Argentina | Brazil | Mexico | Total 3 Countries | All Non-Oil Developing Countries |
| 1977 | 2.6 | 12.0 | 11.2 | 25.8 | 46.9 | 6.4 | 29.3 | 27.4 | 63.1 | 115 |
| 1978 | 2.8 | 13.4 | 10.7 | 26.9 | 52.2 | 6.1 | 29.4 | 23.5 | 59.0 | 116 |
| 1979 | 4.8 | 13.6 | 11.5 | 29.9 | 61.8 | 9.6 | 27.3 | 23.1 | 60.0 | 124 |
| 1980 | 6.9 | 14.5 | 15.7 | 37.1 | 75.4 | 12.1 | 25.4 | 27.5 | 65.1 | 132 |
| 1981 | 8.4 | 16.8 | 21.5 | 46.7 | 92.8 | 14.0 | 28.0 | 35.9 | 78.0 | 148 |
| 1982 | 8.2 | 20.4 | 24.4 | 53.0 | 103.2 | 11.6 | 28.9 | 34.6 | 75.1 | 146 |
| 1983 | 8.5 | 20.7 | 26.3 | 55.5 | 106.8 | 10.7 | 26.1 | 33.1 | 70.0 | 135 |

NINE LARGEST BANKS

| | Claims (billions of dollars) | | | | | Claims as Percent of Capital | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| End of Period | Argentina | Brazil | Mexico | Total 3 Countries | All Non-Oil Developing Countries | Argentina | Brazil | Mexico | Total 3 Countries | All Non-Oil Developing Countries |
| 1977 | 1.8 | 7.7 | 6.1 | 15.6 | 30.0 | 9.8 | 41.8 | 33.2 | 84.8 | 163 |
| 1978 | 1.8 | 8.5 | 6.1 | 16.4 | 33.4 | 9.0 | 42.5 | 30.5 | 82.0 | 176 |
| 1979 | 2.9 | 8.8 | 6.5 | 18.2 | 39.9 | 13.2 | 40.2 | 29.7 | 83.1 | 182 |
| 1980 | 4.2 | 9.4 | 9.1 | 22.7 | 47.9 | 17.5 | 39.2 | 37.9 | 94.6 | 199 |
| 1981 | 5.2 | 10.6 | 11.6 | 27.4 | 57.6 | 19.9 | 40.6 | 44.4 | 105.0 | 220 |
| 1982 | 5.1 | 13.3 | 12.9 | 31.3 | 64.1 | 17.6 | 45.9 | 44.5 | 107.9 | 221 |
| 1983 | 5.4 | 13.3 | 14.1 | 32.8 | 65.8 | 17.1 | 42.2 | 44.8 | 104.1 | 209 |

Source: Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve Sysytem, before the Committee on Banking, Finance and Urban Affairs, House of Representatives, February 2, 1983, and Country Exposure Lending Survey, December 1983, Federal Financial Institution Examination Council.

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TABLE 9

U.S. Trade with Major Latin American Borrowers
(Millions of Dollars)

| | U.S. Exports | | | | | U.S. Imports | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1981 | 1982 | 1983 | Percent Change 1980-83 | 1980 | 1981 | 1982 | 1983 | Percent Change 1980-83 |
| Argentina | 2,625.3 | 2,191.7 | 1,293.8 | 964.7 | -172.1 | 740.8 | 1,124.4 | 1,128.2 | 853.1 | 15.2 |
| Brazil | 4,343.5 | 3,798.2 | 3,422.7 | 2,557.1 | -41.1 | 3,714.8 | 4,474.5 | 4,285.3 | 4,946.1 | 33.1 |
| Chile | 1,353.5 | 1,465.2 | 924.7 | 728.6 | -46.2 | 515.0 | 603.6 | 666.2 | 969.3 | 88.2 |
| Mexico | 15,144.6 | 17,788.7 | 11,816.9 | 9,081.6 | -40.0 | 12,580.2 | 13,765.1 | 15,565.9 | 16,776.1 | 33.4 |
| Venezuela | 4,572.8 | 5,444.9 | 5,206.2 | 2,811.3 | -38.5 | 5,320.5 | 5,566.0 | 4,767.7 | 4,938.1 | -7.2 |
| Total Top 5 | 28,039.7 | 30,688.1 | 22,664.3 | 16,143.3 | -42.4 | 22,871.3 | 25,533.6 | 26,413.3 | 28,482.7 | 24.5 |
| Total Latin American | 36,030.4 | 38,950.1 | 30,086.3 | 22,618.4 | -37.2 | 29,951.7 | 32,023.3 | 32,512.6 | 35,682.9 | 19.1 |
| Total World | 220,782.5 | 233,739.1 | 212,274.6 | 200,537.6 | -9.2 | 244,870.6 | 261,304.9 | 243,951.9 | 258,047.8 | 5.4 |

Source: "Highlights of U.S. Export and Import Trade," U.S. Department of Commerce, Report FT990.

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(or foreign currencies) that would be acceptable for payment of both public and private debt, something it cannot currently do. Furthermore, lenders-of-last-resort typically lend at penalty rates, not subsidized ones, to avoid the problem of moral hazard or of inducing countries to turn to the IMF rather than to private capital markets when borrowing funds.(10)

In assessing the case for increased IMF quotas as opposed to additional borrowing by the IMF to deal with debt problems we must take into account incentive effects. An increase in quotas essentially provides the IMF with more discretion in its future lending to countries. Member countries would have a greater incentive to put more pressure on the IMF to extend loans, knowing that the funds are readily available, as well as not to turn to private capital markets for funds. Borrowing countries would have an incentive to borrow more and may postpone corrective internal actions if they know they will receive assistance if they get into trouble. At the same time, private lenders may have fewer incentives to be cautious in their lending, if they are confident that the IMF will always come to the rescue of debtor nations.

The ability to meet debt repayments essentially means that in the long run the growth of a country's external debt cannot exceed the interest rate on that debt or the growth rate in the country's income. For this reason many argue that the debt problem will disappear as soon as interest rates come down and the current U.S. recovery spreads to developing countries. What happens to interest rates and income growth depends in large part on U.S. monetary and fiscal policies. Some hold the view that reductions in budget deficits and faster monetary growth in the U.S. can lower interest rates, with beneficial effects on economic activity in debtor countries, including easing interest payments on their debt. However, the cost of reducing inflation in the U.S. has been substantial and the Federal Reserve has thus far been unwilling to let money growth revert to its former high rates for any sustained period of time. In addition, Congress has thus far made little progress in closing the prospective budgetary gap, which many argue has important implications for interest rates and income growth. All this uncertainty of future policies and the resulting future behavior of interest rates implies that even when the recovery sets in for the big debtor countries it may not be sufficient to sustain the existing

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external debt to banks without some write downs or other concessions.

Monetary and fiscal policies in the debtor countries are also important in resolving the current debt crisis. The solution depends largely on the willingness of debtor countries to implement appropriate policies – including regulatory policies – to attain an adequate and sustainable rate of growth as well as helping to eliminate capital flight. However, political factors may prevent governments from implementing policies that are warranted on economic grounds or maintaining corrective policies for a sufficiently long period of time. Closely related to the role of domestic policies of debtor countries is the issue of IMF "conditionality." When the IMF provides financial assistance to debtor countries it usually imposes conditions on its loans that require the borrowing countries to implement changes in their monetary and fiscal policies in order to lower imports and increase exports and to put the necessary preconditions for sustainable investment and growth in place. However, in the context of such IMF involvement in dealing with the debt situation, it is necessary to realize that there are inter-relationships between countries.(11) One country may successfully reduce its imports relative to its exports, but if all countries try to do so at the request of the IMF, the result may be disastrous. Compounding this problem is the increased protectionism in the creditor nations. Unfortunately, actions to limit imports from debtor countries to profit domestic jobs undermine LDC efforts to earn debt service dollars. In any event, it would seem that the IMF should devote more effort at detecting and preventing debt problems and less effort at imposing the same austerity policies upon countries once they are in trouble. Admittedly, part of the debt problem was due to unpredictable economic developments. But part was also due to the misuse of the borrowed funds by the debtor nations. Since the IMF continuously monitors the economic performmance of its member countries, it could be in a position to watch the growth of debt and the use of the proceeds so that danger signals can be issued in sufficient time for banks to respond. This type of action would be preferable to the austerity measures imposed after a crisis occurs – measures that only generate social unrest and thereby threaten democracy.

Based on prospective economic developments few are likely

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to argue that there are no countries that should be classified as insolvent.(12) For this reason, we argue that some of the loans should be written down. It makes no sense to carry these loans on the books of the banks at the full value.(13) Sheer honesty would dictate full disclosure of the market value of these loans in order to enable investors and depositors to better evaluate the worth of various outlets for their funds.(14) Also, to the extent that the debt situation reflects bad judgement by bank management, stockholders should bear responsibility for that judgement. Since write downs would have adverse effects on the banks' net worth, the price of their shares would fall, but probably not by much since current prices have already been depressed to reflect the market value of international debt. Stockholders, moreover, faced this possibility when they purchased their shares and thereby accepted this risk of loss in exchange for whatever rate of return they expected. In sum, a write down would place some of the burden of the bad loans on the stockholders, where it belongs, rather than on U.S. taxpayers, where it does not.

Of course, fairness dictates that the debtor nations also bear part of the responsibility for the current debt situation. Accordingly, we suggest that debt to equity transfers accompany the loan write downs. When unperforming loans are written down to market value, the banks should have the option of converting the debt written off to equity claims. Equities would give the banks a direct claim on the resources of the debtor nations with the corresponding control implied by ownership. If banks are permitted to make this conversion of loans to equities, they will benefit directly from economic expansion in the debtor countries. As a country's economic climate improves, the value of the banks' equity shares will rise automatically, denying the debtor country the option of avoiding repayment when it is able to do so. This method of finance thus facilitates determining which countries are unable to pay back the loans and which countries are merely unwilling to do so. Furthermore, the debt to equity transfer scheme has the advantage of providing the proper incentives to debtor nations. Write downs, by themselves encourage debtor countries to portray their economic situations as hopeless, to encourage still further write downs. The transfer scheme reduces these adverse incentives because a country is forced to relinquish some control over its natural

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resources each time a write down occurs.(15)

Critics of a write down plan argue that write downs will lead to the insolvency and hence collapse of the U.S. banking system. We disagree. The loans in question can be written down to a relatively small percentage of their book value without causing widespread insolvency in the banking system. As we showed earlier (see Table 8), the nine largest banks in the U.S. could write down the book value of the combined loans of Mexico, Argentina, and Brazil by 96 percent and still remain solvent. Clearly, however, the market value of these loans is greater than four percent of their book value. Thus, the write downs can be absorbed by the banking system. It is possible, though, that a *single* bank could find its liabilities exceeding its assets as a result of the write down. But would such an insolvency lead to instability in the entire banking system? We believe it would not, and may instead lead to a more stable financial system.

Some argue that the failure of a single, and especially large, bank could undermine depositor confidence in other banks and hence lead to bank runs. During a bank run, depositors attempt to convert their deposits to currency before the bank's assets are depleted. In a fractional reserve system like the U.S. banking system, banks hold a small percentage of their deposits in liquid assets, called reserves. The immediate consequence of a widespread deposit withdrawal is that the bank must sell some of its illiquid assets on short notice and usually at a deep discount. The pressure to obtain liquidity on short notice thus weakens a bank's balance sheet and pushes it toward insolvency. As a result, an otherwise well-managed and solvent bank can be forced into insolvency by a bank run. But this outcome can be avoided if the Federal Reserve stands ready as the lender-of-last-resort. This means that the Federal Reserve must be prepared to permit banks to pledge illiquid bank assets as collateral in exchange for loans. In this way, a bank can avoid the debilitating losses caused by the need to liquidate its portfolio on short notice. Furthermore, when the Federal Reserve performs this function it reassures depositors and thus reduces the likelihood of bank runs.

Nonetheless, it is important to emphasize that the role of the lender of last resort is to protect the banking system from liquidity crisis, not to rescue banks from insolvency. Loans

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should therefore be provided only to financial institutions which are solvent and experiencing temporary liquidity problems. Banks which find depositors withdrawing funds because of bad loans due to poor management should not be "bailed out" of insolvency.

To better understand the difference between illiquidity and insolvency, consider the recent experience of the Continental Illinois National Bank and Trust Company of Chicago. Although it was not caused by nonperforming foreign debt, Continental Illinois experienced a bank run. Initially, the Federal Reserve provided Continental Illinois with loans to stem the liquidity crisis caused by large depositors quickly withdrawing their funds. However, once it was determined that the market value of Continental Illinois' loan portfolio was so depressed that the bank had become insolvent, the FDIC stepped in to buy out the bank. Although the normal role of the FDIC is to protect small depositors in the event of a bank failure, the FDIC's costs in this particular case were minimized by the buy out. That is, the FDIC guaranteed all deposits to stem the run and purchased $5.1 billion (book value) of Continental Illinois' loans for $2 billion (market value). This action permitted the bank to stay open and cost the FDIC less than liquidating the entire portfolio and paying off the insured creditors.(16) Even in this case, however, the FDIC's action was not a 100 percent bailout because the shareholders have taken considerable losses in the form of lower share prices and still face the possibility of a complete loss if the new Continental Illinois is unable to repay the FDIC on its purchased loans. In any event, the main point is that large bank failures can be handled in a way that the U.S. banking system is protected but not the shareholders.

The way this situation was handled has clear implications for the current international debt problem because the behavior of bank managers depends on what they anticipate government policy to be. Under a 100 percent bailout system, banks have incentives to undertake riskier loans than they otherwise would because they will be fully protected if the loans are not repaid. Even more conservative banks will be forced, by competitive pressures, to extend a greater amount of riskier loans and to offer higher deposit rates to stay competitive with the more aggressive banks. A 100 percent bailout system encourages, in other words, risk seeking among banks and thus undermines the stability of the entire banking system. With many

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banks engaging in this type of behavior, the probability of massive bank failures is substantially increased.

On the other hand, if the financial authorities announce that they will not provide 100 percent bailouts and reinforce the announcement by allowing insolvent banks to fail, bank managers' behavior will adjust accordingly. Faced with the possibility of real losses, uninsured depositors and creditors will scrutinize the creditworthiness of banks. Competition for deposits will now force banks to be *less* risky and thus actually increase the stability of the banking system. If there is an isolated bank failure, the Federal Reserve should stand ready to protect the remaining solvent banks from bank runs. The key issue, however, is that the threat of real losses will force banks to be more cautious and will therefore promote solvency. Consequently, by announcing and enforcing a policy of allowing banks to bear the cost of their own decisions, the financial authorities will be laying the foundation for a stronger and more stable banking system.

## 5. Conclusions

It is our view that the current international debt problem can be resolved and future debt problems can be lessened if the following four steps are taken:

1) The IMF and other international lending institutions should provide bridge loans only to those debtor countries which are experiencing temporary liquidity problems. Extending loans to insolvent countries only provides perverse incentives and thereby exacerbates the long-run debt problem.

2) Commercial banks should engage in full disclosure by writing down the value of existing nonperforming loans to debtor nations so those loans reflect actual market value.

3) In return for write downs, commercial banks should be provided the option of exchanging the written off portion of their loan debt for equity claims on the natural resources of the debtor country.

4) The U.S. financial authorities should act as the lender-of-last-resort in protecting healthy banks from bank runs. It should not, however, provide 100 percent bailouts for banks that become insolvent due to their nonperforming foreign debt.

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If the parties involved would agree to implement these four steps, a severe financial crisis can be averted. Furthermore, an institutional structure providing the correct incentives for lender and borrower behavior consistent with financial stability will be established.

FOOTNOTES

(1) In a recent special report, it is stated that "Latin America is struggling with severe debt problems, so much so that Brazil and Argentina appear close to default" (see World Economic Outlook, *Business Week,* November 21, 1983, p. 152). Government officials at a recent conference of 25 South American and Carribean countries in Venezuela commented that Bolivia's action represents "...the first rock to roll down the mountain," (see Leonard Silk, *Wall Street Journal,* June 6, 1984).

(2) It has been estimated that "...every 1 percent rise in American interest rates now adds 14 billion to the world debt. The way things are going, by 1986 the big borrowers will need a constant supply of money to keep paying interest, a spiraling drain that would cut off the hope for development and growth," (see Flora Lewis, "Lessons of Debt," *New York Times,* June 10, 1984).

(3) See *World Economic Outlook,* International Monetary Fund, May 1983, p. 9.

(4) For a detailed discussion of this issue, see James R. Barth and Robert E. Keleher, "Financial Crises and the Role of the Lender of Last Resort," *Economic Review,* Federal Reserve Bank of Atlanta, January 1984, pp. 58-67.

(5) It might be noted that "Argentina's widely cited total of $40 billion in foreign debts might be overstated by $10.8 billion because of back-door repayments by some companies trying to sneak around the country's complex exchange controls." If so, "It would apparently mean that, should push come to shove, fewer bankers than previously thought would come into court trying to force loan repayments" (see Everett Martin, "At Least $10.8 Billion of Argentina's Debt called 'Unexplainable' by 2 Investigators," *Wall Street Journal,* October 7, 1983, p. 3).

(6) It has recently been reported that "A secondary market in foreign bank loans has been quietly operating for some time in London....It has now grown to the point where the need for a Reuters screen displaying prices is being seriously debated, a sure sign of a market both maturing and coming out of the closet. Latin American loans now trade at 75% to 87% of face value" (see Peter Brimelow, "Why the U.S. Shouldn't Fill the IMF's Till," *Fortune,* December 14, 1983, pp. 59-60).

(7) See "International Debt Crisis: Causes and Policy Prescriptions," statement by Michele Frantianni before the Subcommittee on International Trade, Investment, and Monetary Policy, April 1983.

(8) In the words of Milton Friedman, "The debt crisis is a heaven sent opportunity, creating the possibility that the IMF can become a world central bank." He argues, however, that "The IMF should be abolished, not expanded" (see Milton Friedman, "'No' to More Money for the IMF," *Newsweek,* November 14, 1983, p. 96).

(9) It is the subsidized lending that leads some to refer to the IMF as the lender of first resort. It should be noted, moreover, that all countries receiving financial assistance from the IMF are charged the same interest rate, regardless of differences in risk.

(10) See Roland Vaubel, "The Moral Hazard of IMF Lending," in *International Lending and the IMF,* edited by Allan H. Meltzer, The Heritage Lectures, 21, 1983, pp. 65-79.

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(11) See Ad Hoc Committee on International Debt and U.S. Financial Policies, "The International Debt Problem, Insolvency and Illiquidity: A Policy Proposal," in *International Lending and the IMF,* edited by Allan H. Meltzer, The Heritage Lectures, 21, 1983, pp. 33-41.

(12) According to one recent report, "Brazil, let's face it, is bankrupt-insolvent" (see The Latin American Crisis: Brazil, Mexico, and Peru," *International Currency Review,* September 1983, p. 68).

(13) In a recent speech Fritz Lentwiler, president of the Bank for International Settlements, stated that, "there is no way the major banks can get out of this situation without writing down some of the debt" (see *New York Times,* October 2, 1983, p. F9).

(14) See the comments of Sir Alan Walters, currently a scholar at the American Enterprise Institute, in Hobart Rowen's piece appearing in *The Washington Post,* October 18, 1983, p. E1.

(15) In this regard, the debt problem would be far less important if direct foreign investment rather than foreign borrowing had been emphasized in financing current account deficits. However, as William R. Cline points out, "Latin America, and Brazil more particularly, had celebrated a festival of nationalism in which extravagant foreign borrowing has replaced what should have been, to a much larger extent, equity financing" (See William R. Cline, "Discussion," in *Prospects for Adjustment,* ed. by John Williamson, Institute for International Economics, June 1983, p. 50).

(16) See Paul Horyitz, "FDIC'S Solution for Continental Illinois was a masterful Deal," *American Banker,* August 28, 1984, p. 4.

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# ON EQUALITY, EQUITY, ECONOMIC WELLBEING AND DIGNITY: AN ECONOMIST'S VIEW

By Oleg Zinam

The inequality of human abilities and needs as well as the inequality of distribution of wealth and income, has been known to man since very early times. Only in relatively recent times has the notion of equality of all men before "their creator" and before "the law" become widely assumed. The contemporary "revolution of rising expectations" has contributed to the widespread belief that all human beings have certain inalienable rights, among them, the economic right to enjoy a minimum standard of living "necessary to maintain human dignity."

It is the major purpose of this paper to analyze 1) concepts of economic equality and equity, 2) their impact on economic efficiency, and 3) the implications of economic efficiency for economic wellbeing and human dignity.

Economic equality in terms of equal distribution of wealth and income is an unreal concept, and one which would be almost impossible to establish and maintain without an almost total destruction of human freedom. This notion of economic equality is so strikingly unrealistic that even the strongest modern advocates of redistribution of income and wealth in favor of the poor and disadvantaged deny that their proposals are founded on the belief in factual economic equality of all men.(1)

Economic inequality is twofold. On the production side, people are endowed with different abilities and capacities for effort. On the consumption side, the differences in human needs are as striking. This economic inequality has its deep roots in the biological realm. "Human beings are biologically unequal," wrote Wallich, "the equality that the constitution speaks of is one of rights, not of condition – before God and the law, not in the market place."(2) Schumpeter finds the basis for this assumed equality of humans in Christianity which stresses "the intrinsic value of the individual soul, a value that admits of no gradations." Yet, "in the sphere of empirical analysis," he wrote, "there is hardly any rational warrant for

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exalting it into a postulate."(3)

Among many objections against economic equality the following three are the most prominent. First, equalization projects often prove fruitless. On the national level, such an equalization might lead to punishing the rich and middle class without enriching the poor. Internationally, if all the wealth of the rich and poor nations were divided equally among all the peoples of the world, the improvement in the standard of living in poor lands would be insignificant. The technically advanced wealthy nations, however, would suffer from a disastrous decline in productivity. Moreover, according to Wallich, such "thoroughgoing egalitarianism leads to 'social entropy'." This is equivalent to "the reduction of incomes, living habits, wishes and ideas to a common denominator — the strangling of creative differences, decisions, ambitions." "Few among us would want to put a stop to creative change," he said, "but more than a few would seem to be unwilling to pay the price in terms of inequality, that change demands."(4) The result of such a drastic equalization would lead to generalizing misery instead of preventing it.

Secondly, since there exist natural differences among people which require economic differentiation, equalization would lead to natural injustices. Both Plato and Aristotle believed in natural distinctions among human beings. Plato's *Republic*(5) postulates differentiation among people based on their innate intelligence. Aristotle, in a similar vein, stated that distribution in a society must reflect the differences in the characteristics of individuals and of the goods which are distributed.(6) Both Aristotle and his teacher, Plato, believed in natural distinctions among men and, therefore, condoned slavery as a natural phenomenon. Rousseau, one of the strongest advocates of economic equality, considered wealth the major political resource and claimed that no person can possess freedom in an inequalitarian society.(7) In response to Rousseau's egalitarianism based on the state of nature, Burke used excerpts from the Bible to prove that economic equality is not natural and rejected Rousseau's speculations about the justification of social change based upon nature.(8)

The third argument against economic equality is that the pursuit of equalization is in conflict with other human values. Contrary to Rousseau who believed that freedom is impossible

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without a high measure of economic equality, Hayek contended that governmental attempts to reduce inequality would involve the use of coercion which would reduce freedom. In Hayek's worlds, "Equality before the law and material equality are...not only different but are in conflict with each other; and we can achieve either the one or the other, but not both at the same time. The equality before the law which freedom requires leads to material inequality."(9) According to Wallich, not only freedom but progress conflicts with economic equality: "equality has remained at odds with goals like progress or freedom."(10) The natural rights of individuals to engage in economic activity without governmental intervention were considered by Locke superior to all others. Any attempt by the state to abridge economic freedom in the name of redistribution of wealth or income would be a serious violation of the rights to one's life and private property.(11)

One of the greatest fears of opponents of economic egalitarianism lies in the effect of equalization of wealth and income on incentive, economic efficiency and productivity. If self-interest is the major incentive to production efforts, equalization would lead to lower production and to losses for both rich and poor. "Material incentive" in the form of wage differentials, piece-work incentives and bonuses for fulfillment of production norms are commonplace in so-called "socialist countries" which are frequently thought to be pursuing economic egalitarianism. The negative impact on economic efficiency and productivity would lead to deterioration in "quality of life." De Jouvenel claims that "redistributionism" would weaken the position of the wealthy who now support art as well as intellectual and educational activities. The elimination of economic inequality would make artists and intellectuals dependent upon the state. As a result, the state would control the creative life of society.(12)

While economic equality can be established and measured, and while it is possible to trace the impact of pursuing goals of equalization of wealth and income on economic efficiency, freedom and quality of life, the concept of economic equity is purely qualitative and normative in its character. If inequality is a fact of life, how much of it is tolerable from the point of view of equity or economic justice? What is an equitable distribution of income and wealth? As Hayek sees it, "a demand

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for equality is the professed motive of most of those who desire to impose upon society a preconceived pattern of distribution."(13) "Most people will object not to the bare fact of inequality," he adds, "but to the fact that differences in reward do not correspond to any recognized differences in the merits of those who received them."(14)

If people are so different in their capacity to contribute to economic production as well as in their consumption needs, what can be used as a general principle for the just and equitable allocation of efforts and distribution of fruits of these efforts?

The range of possible principles lies between two extremes. "Laissez faire" philosophy has based its allocative and distributive justice on the motto: "From each according to his will to contribute, to each according to his marginal product," while pure communism rests on the principle: "From each according to his ability, to each according to his needs." Interestingly enough, both philosophies accept the economic inequality of human beings as a fact of life.

The first attempts to solve the problem of just allocation of efforts and distribution of rewards by "equal treatment of unequals." A free market economy sets the value of freedom above economic equality. It asserts that "the primary function of government is to prevent coercion and so guarantee to every person the right to live his own life on terms of free association with his fellows."(15)

The efforts to attain economic equality by "unequal treatment of unequals" might lead to an arbitrary redistribution of income and wealth by the political machinery of the state. If carried to their extreme, such processes can contribute to a diminution of incentive and even to severe restrictions on individual freedom.

The result of the equal treatment of economic unequals is increasing inequality. In Plato's terms, "To unequals, equals become unequal."(16) As Hayek restated it in modern language,"from the fact that people are very different it follows that if we treat them equally, the result must be inequality in their position."(17) An additional problem here is the tendency to perpetuate inequality by reducing equality of opportunity. This is damaging to a free market economy which supposedly "thrives on equality of opportunity."(18)

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One very difficult problem in a libertarian economy is to "reconcile economic inequality with our belief in political equality." "If one man rates one soul and one vote, why should he be worth widely varying amount of dollars?(19) While "equal treatment of unequals" leads to the enhancement of economic inequality, libertarians believe that all people should be subject to "equal treatment of equals" and violations of this rule should not be tolerated. Slavery, serfdom and the violation of "basic human rights" of any segment of the population represents to libertarians the intolerable situation of "unequal treatment of equals."

Since some degree of economic inequality is unavoidable and inevitable, the question which must be answered is how much of it is desirable and tolerable. What is an optimum amount of inequality for a given society at a given point of time? In Wallich's words, "the range is wide, from literal and absolute equality to the equally implausible state of an Eastern potentate of the old days surrounded by a subsistence population." The optimum inequality is "very much a matter of opinion, no matter how willing one may be to surrender equality as a good in favor of growth."(20)

In search of an optimum inequality it might be suggested that the real issue is not so much "which division, equal or unequal, is the more just...[but]...which of the two leads to higher welfare for all."(21) The issue is primarily functional, and only secondarily moral.

An extremely skewed distribution of income and wealth leaves the majority of the population on the level below one necessary for efficient productive efforts. Reduction of economic inequality, in this case, will augment economic efficiency and move economic performance toward the optimum point. If, however, income and wealth are continually equalized, the disincentive for the groups with reduced income and wealth will outweigh an increase in productivity of low-income groups and the efficiency of the system will start declining. Before the optimum point is reached, reduction in inequality would lead to higher efficiency. After this point has been reached, additional equalization would result in lesser efficiency. In technical terms, first, inequality and efficiency were acting as substitutes and later, after the optimum point was reached, they became complementary.

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In addition to efficiency and its impact on human welfare via economic growth and development, the level of tolerable inequality depends on the level of a socially acceptable minimum standard of living which is closely related to such concepts as "economic wellbeing" or "quality of life". The problem arises when this level of inequality runs beyond optimum inequality defined in terms of economic efficiency. This situation might lead to a welfare load which the economy would be unable to sustain. The level of a minimum standard of living has rapidly risen in recent times due to the "revolution of rising expectations" which tends now to become a "revolution of rising entitlements".(22) People's increased appetite for a higher standard of living was not coupled with a proportionate rise in efficiency.

Economic wellbeing is only one aspect of quality of life. It is basic because satisfying economic needs is a necessary condition for survival. Yet, it is not the most important one. According to Maslow's need hierarchy, physiological needs are basic and primarily satisfied by economic goods and services. The others, like safety, belongingness and self-actualization, belong to the political sphere while love and esteem are included in the sociopsychological realm.(23) Improvements in economic wellbeing by means of increased income and wealth, enhance the economic power of the group and contribute to its "equality of opportunity". Moreover, such an enhancement of economic power is likely to shield it from unjust treatment by those in control of political and economic power.

Closely related to the "revolution of rising expectations" is the emergence of the belief that all human beings have their dignity just because they are unique persons. This human dignity implies safeguarding basic human rights. One of the most basic among these rights is economic security consisting of a certain minimal standard of living. It is a relatively recent development which connects economic wellbing with human dignity and makes a tolerable "quality of life" a part of the total package of human desires. This notion of economic freedom prevailing in market economies becomes meaningful only if economic power is available. "Freedom" said Knight "means the right to do what one is able to do, i.e. to use power, and has content only insofar as one possesses power."(24) What counts is effective freedom, defined as "availability of a range of choices among potentially effective preferences."(25) It

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represents a combination of freedom to do things with the power to do so.

If the minimum acceptable quality of life requires redistribution of income and wealth beyond the optimum point, it might also require a large increase of government control and increased coercion to enforce such a high measure of equality. There is also such a phenomenon as diminishing returns to overcentralization of governmental power and controls. On this ground alone, such a reduction of inequality might be objectionable. Yet, if one objects to the use of coercion in order to bring about a more even or just distribution, wrote Hayek, "this does not mean that one does not regard these as desirable."(26) And it is difficult to disagree with Wallich when he states that "if man is the master of his fate, why should he not correct the consequences of biological inequality if he finds them unattractive."(27) The recognition of this, combined with the capacity of humans to empathize with others and act according to their ability to remove gross deficiencies from their economies,(28) greatly contributed to the acceptance of large-scale equalization and welfare programs by the technologically advanced market and Western democratic socialist economies. However, this tendency toward ever-expanding welfare, justified by the belief that "without economic security, liberty is not worth having,"(29) if carried too far, might undermine incentive and cripple the efficiency of the economy by imposition of excessive controls to enforce the equalization of income and wealth. Yet, without a healthy growth, no economy can indefinitely expand its welfare plans. In a static economy economic equalization means a painful redistribution of income. Growth is a better alternative because both the wealthy and the poor can improve their wellbeing without drastic reduction of incentives.

Thus, paradoxically, to alleviate inequality caused by inequality of wealth and income, society must maintain and preserve a degree of inequality required to provide incentive to efficiency and growth. Only a wealthy and growing economy can continue to expand and improve welfare. Any attempt to drastically increase welfare at the expense of incentive will undermine the former. Recent economic indicators in Great Britain and some Scandinavian countries seem to point out that the expansion of welfare and redistribution schemes were carried beyond the

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point of optimum efficiency and have contributed to a combination of inflation, decline in economic growth and an increase in unemployment.

This analysis of equality, equity, and their impact on economic wellbeing and human dignity leads to several conclusions. The most important of them can be summed up in terms of Wallich's dictums: 1) "The future of a free society depends on the preservation of beliefs that give room to creative inequalities." 2) "We must furnish welfare without destroying initiative and provide security without doing injury to incentives" and 3) "To keep initiative and incentives alive, we must be prepared to accept a certain degree of inequality in our economic fortunes, after assuring as much equality of opportunity as we can. (30)

FOOTNOTES

(1) Tawney, R.H., Equality, London, 1931, p. 47.
(2) Henry C. Wallich, The Cost of Freedom, New York, Harper and Brothers, 1960, p. 116.
(3) Joseph A. Schumpeter, Capitalism, Socialism and Democracy, 3rd edition, New York, Harper and Brothers, 1950, p. 265.
(4) Henry C. Wallich, op. cit., p. 132.
(5) Plato, The Republic, Jowett Translation, New York, Airmont Publishing Co., 1968.
(6) Aristotle, The Nicomachean Ethics, Martin Ostwald, translation, Indianapolis, Indiana, The Bobbs-Merrill Co., 1962.
(7) Rousseau, Jean Jacques, The Social Contract, translated by Friedrich Watkins in Rousseau: Political Writings, Toronto: Nelson Co., 1953.
(8) Edmund Burke, Reflections on the Revolution in France, Indianapolis, Indiana: The Bobbs-Merrill Co., 1955, pp. 55-58.
(9) F.A. Hayek, The Constitution of Liberty, Chicago, Illinois: The University of Chicago Press, 1960, p. 87.
(10) Henry C. Wallich, op. cit. p. 141.
(11) John Locke, Two Treatises of Government, New York: Hafner Publishing Co., 1947.
(12) Bertrand de Jouvenel, The Ethics of Redistribution, Cambridge: Cambridge University Press, 1951, pp. 42, 47-48.
(13) F.A. Hayek, op. cit., p. 87.
(14) Ibid., p. 93.
(15) Frank Knight, Freedom and Reform, New York: Harper and Brothers, 1947, p. 193.
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(28) Jean-Jacques Rousseau, Constitutional Project for Corsica, translated by Frederick Watkins in Rousseau: Political Writings, Toronto: Nelson, 1958.

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## Raymond B. Cattell

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# THE DEBATE OVER THE GENOCIDE TREATY

By Walter G. Thompson

In the year 1948, the United Nations General Assembly adopted what was known as the "Genocide Convention". Although the U.S. had protested many of the sections included in this Convention, the then President nevertheless agreed to the U.S. becoming a signatory to the Convention, which now only requires the ratification of the U.S. Senate to become a legal treaty, with precedent over all other U.S. laws and even – it is agreed – over the rights hitherto accorded to U.S. citizens by the U.S. Constitution. We need not be surprised, therefore, that the ratification of the Convention has not yet been agreed in the Senate, despite repeated movements to that end over the past 35 years.

Because the Convention understandably condemns such actions as the "killing of members of a national, ethnical, racial or religious group " and "forceably transferring children of the group to another group," little attention was paid to the fact that murder and kidnapping were already recognized as extraditable crimes in virtually all the signatory nations, and that in consequence it was unnecessary for nations to yield up a vital element of their sovereignty in order to make these deeds punishable when applied to individuals who belonged to different national, racial, ethnical, racial or religious groups.

However, the U.S. delegation to the UN at that time did suspect some elements of chicanery. Their suspicion was proved to be valid when the Union insisted on a modification of the original draft to exclude members of political groups from the list of group members whose killing would constitute genocide. While there appeared to be some logic in this, the late Frank E. Holman, a past President of the American Bar Association, has commented:

> "Of course, no decent person can quarrel with the announced objective of the Genocide Convention – to wit, the outlawing of mass murder of groups of people – but the present document is so drawn that it does *not* apply to liquidating political groups as 'enemies of the

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> state.' Hence, it does not apply to genocide as practiced by Stalin in Russia or in the Russian satellite countries. In drafting Article II of the Convention and in order to appease the Russians, genocide was limited to 'national, ethnical, racial, or religious groups.' The political group was omitted. Under the Russian technique of attacking political groups as 'enemies of the state,' genocide occurs and will continue to occur on the theory that such liquidation is not for the purpose of destroying 'national, ethnical, racial, or religious groups.'"(1)

The American delegation also attempted to prevent the proposed Convention from intruding into the process of national legal systems – and from becoming a tool by which private individuals deemed innocent under their own legal systems could be harrassed – by demanding that "genocide could not be an international crime unless a government participated in its perpetration."

In the event, their plea was rejected, and the final draft of the Convention applied to individual "persons committing genocide", thereby enabling international bodies to receive and consider complaints against individual citizens of the signatory states – and even to demand their extradition.

All this might not seem so serious, except that the Convention went far beyond murder and the kidnapping of children in its definition of genocide. Article II of the Convention defined genocide as follows:

> (a) Killing members of the group;
>
> (b) Causing serious bodily or *mental harm* to members of the group;
>
> (c) Deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part;
>
> (d) Imposing measures intended to prevent births within the group;
>
> (e) Forcibly transferring children of the group to another group.(2)

How will the members of international tribunals define "mental harm"? The Convention did not define it, and as Phyllis Schlafly has pointed out:

> The undefined "crime" of "causing mental harm" is the joker which has consequences that are unpredictable and

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unlimited. Here are some examples of accusations which have already been alleged to come under jurisdiction of the Genocide Convention.

At a World Council of Churches meeting in Barbados, Protestant and Catholic missionaries were charged with "genocide" on the ground of their alleged "contempt for indigenous cultures, appropriations of Indian national resources and the overlording spirit of the missionaries."

A San Francisco lawyer who represented the Black Panthers announced that he had plans to go before the United Nations and charge the United States with "genocide" against the Panthers. Chicago policemen were falsely accused of trying to exterminate the Black Panthers. The policemen got a fair trial in Chicago and were exonerated. Who knows what the result would have been if they had been extradited to some foreign country and tried without the safeguards of the U.S. Bill of Rights?

If the Genocide Convention is ratified, our law enforcement agencies may be reluctant to take any action against any person who belongs to any identifiable group which might retaliate with charges of "genocide."

Language so broad and vague as "causing mental harm" could well be held by some World Court to characterize racial segregation prior to 1954 as "genocide," and therefore a "crime" to be tried in a foreign court. In *Brown v. Board of Education,* the U.S. Supreme Court held expressly that separation of black children "from others of similar age and qualifications solely because of their race generates a feeling of inferiority as to their status in the community that may affect their hearts and minds in a way unlikely ever to be undone...[and] has a tendency to [retard their] education and mental development. (3)

Not content with this sweeping definition of genocide, which certainly goes far beyond any interpretation ever placed on the word by any dictionary, the Convention in Article III proceeds to define the following acts as being punishable:

(A) Genocide;
(B) Conspiracy to commit genocide;
(C) Direct and public incitement to commit genocide;
(D) Attempt to commit genocide;
(E) Complicity in genocide. (4)

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Now these are very broad definitions. As if the inclusion of "mental harm" in the definition of genocide were not enough, the list of punishable acts includes not only "conspiring to commit genocide," but also "complicity in genocide", which could be taken to mean that even if the accused did nothing, their association with or aid to persons *accused* of this crime could be sufficient reason to demand their extradition for trial before an international court. Indeed, since causing serious mental harm is a very loose term, individuals could be accused of alleged offenses which would normally be protected by what Americans or the members of free nations have traditionally regarded as freedom of speech. Would, for example, Professor Shockley, the Nobel prize winner whose research has led him to state that persons of different racial origin inherit racially different intellectual abilities, be liable to extradition to stand trial in some international court on the complaint of a group of Liberians who might claim that Shockley's statements had caused them severe mental anguish? Such a complaint is by no means unfeasible – and although no international complaints of this kind have yet been registered, while America's ratification of the Convention has remained in the balance, once the last holdout nation, the U.S.A., has committed itself to the Convention, there would no longer be any political reason why those in favor of using the Convention to their own advantage should not proceed to test it to the limit.

Another danger area lies in the loose wording of item (C) "direct *and* public incitement to commit genocide". If this is interpreted to mean that both *direct* (person to person) incitement *and also* "public" (which could include printed articles, journals and books) incitement are punishable, then some complainants will surely seek to blame authors and writers for the acts of persons whom they have never met.

Some have argued that the U.S. Senate should confirm the Convention as a Treaty binding the USA, but append various interpretations to the more loosely-defined clauses so as to protect U.S. nationals from the worst of the possible excesses. Thus the U.S. Senate Committee on Foreign Relations, to which the Convention was referred, reported favorably on its ratification in September 1984, under the leadership of Senator Percy. This they did on the condition that various understandings and reservations should be attached to the Senate approval.

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# LIST OF RATIFYING COUNTRIES

## CONVENTION ON THE PREVENTION AND PUNISHMENT OF THE CRIME OF GENOCIDE

*Adopted by the General Assembly of the United Nations, December 9, 1948*

Entered into Force January 12, 1951

| State | Date of signature | Date of deposit of instrument of ratification | Date of deposit of instrument of accession (a)/succession (d) |
|---|---|---|---|
| Afghanistan | | | Mar. 22, 1956 (a) |
| Albania | | | May 12, 1955 (a) |
| Algeria | | | Oct. 31, 1963 (a) |
| Argentina | | | June 5, 1956 (a) |
| Australia | Dec. 11, 1948 | July 8, 1949 | |
| Austria | | | Mar. 19, 1958 (a) |
| Bahamas | | | Aug. 5, 1975 (d) |
| Barbados | | | Jan. 14, 1980 (a) |
| Belgium | Dec. 12, 1949 | Sept. 5, 1951 | |
| Bolivia | Dec. 11, 1948 | | |
| Brazil | do | Apr. 15, 1952 | |
| Bulgaria | | | July 21, 1950 (a) |
| Burma | Dec. 30, 1949 | Mar. 14, 1956 | |
| Byelorussian SSR | Dec. 16, 1949 | Aug. 11, 1954 | |
| Canada | Nov. 28, 1949 | Sept. 3, 1952 | |
| Chile | Dec. 11, 1948 | June 3, 1953 | |
| China | July 20, 1949 | Apr. 18, 1983 | |
| Colombia | Aug. 12, 1949 | Oct. 27, 1959 | |
| Costa Rica | | | Oct. 14, 1950 (a) |
| Cuba | Dec. 28, 1949 | Mar. 4, 1953 | |
| Cyprus | | | Mar. 29, 1982 (a) |
| Czechoslovakia | Dec. 28, 1949 | Dec. 21, 1950 | |
| Democratic Kampuchea | | | Oct. 14, 1950 (a) |
| Denmark | Sept. 28, 1949 | June 15, 1951 | |
| Dominican Republic | Dec. 11, 1948 | | |
| Ecuador | do | Dec. 21, 1949 | |
| Egypt | Dec. 12, 1948 | Feb. 8, 1952 | |
| El Salvador | Apr. 27, 1949 | Sept. 28, 1950 | |
| Ethiopia | Dec. 11, 1948 | July 1, 1949 | |
| Fiji | | | Jan. 11, 1973 (d) |
| Finland | | | Dec. 18, 1959 (a) |
| France | Dec. 11, 1948 | Oct. 14, 1950 | |
| Gabon | | | Jan. 21, 1983 (a) |
| Gambia | | | Dec. 29, 1978 (a) |
| German Democratic Republic | | | Mar. 27, 1973 (a) |
| Germany, Federal Republic of | | | Nov. 24, 1954 (a) |
| Ghana | | | Dec. 24, 1958 (a) |
| Greece | Dec. 29, 1949 | Dec. 8, 1954 | |
| Guatemala | June 22, 1949 | Jan. 13, 1950 | |
| Haiti | Dec. 11, 1948 | Oct. 14, 1950 | |
| Honduras | Apr. 22, 1949 | Mar. 5, 1952 | |
| Hungary | | | Jan. 7, 1952 (a) |
| Iceland | May 14, 1949 | Aug. 29, 1949 | |
| India | Nov. 29, 1949 | Aug. 27, 1959 | |

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| State | Date of signature | Date of deposit of instrument of ratification | Date of deposit of instrument of accession (a)/succession (d) |
|---|---|---|---|
| Iran (Islamic Republic of) | Dec. 8, 1949 | Aug. 14, 1956 | |
| Iraq | | | Jan. 20, 1959 (a) |
| Ireland | | | June 22, 1976 (a) |
| Israel | Aug. 17, 1949 | Mar. 9, 1950 | |
| Italy | | | June 4, 1952 (a) |
| Jamaica | | | Sept. 23, 1968 (a) |
| Jordan | | | Apr. 3, 1950 (a) |
| Lao People's Dem. Republic | | | Dec. 8, 1950 (a) |
| Lebanon | Dec. 30, 1949 | Dec. 17, 1953 | |
| Lesotho | | | Nov. 29, 1974 (a) |
| Liberia | Dec. 11, 1948 | June 9, 1950 | |
| Luxembourg | | | Oct. 7, 1981 (a) |
| Maldives | | | Apr. 24, 1984 (a) |
| Mali | | | July 16, 1974 (a) |
| Mexico | Dec. 14, 1948 | July 22, 1952 | |
| Monaco | | | Mar. 30, 1950 (a) |
| Mongolia | | | Jan. 5, 1967 (a) |
| Morocco | | | Jan. 24, 1958 (a) |
| Mozambique | | | Apr. 18, 1983 (a) |
| Nepal | | | Jan. 17, 1969 (a) |
| Netherlands | | | June 20, 1966 (a) |
| New Zealand | Nov. 25, 1949 | Dec. 28, 1978 | |
| Nicaragua | | | Jan. 29, 1952 (a) |
| Norway | Dec. 11, 1948 | July 22, 1949 | |
| Pakistan | ....do | Oct. 12, 1957 | |
| Panama | ....do | Jan. 11, 1950 | |
| Papua New Guinea | | | Jan. 27, 1982 (a) |
| Paraguay | Dec. 11, 1948 | | |
| Peru | ....do | Feb. 24, 1960 | |
| Philippines | ....do | July 7, 1950 | |
| Poland | | | Nov. 14, 1950 (a) |
| Republic of Korea | | | Oct. 14, 1950 (a) |
| Romania | | | Nov. 2, 1950 (a) |
| Rwanda | | | Apr. 16, 1975 (a) |
| Saint Vincent and the Grenadines | | | Nov. 9, 1981 (a) |
| Saudi Arabia | | | July 13, 1950 (a) |
| Senegal | | | Aug. 4, 1983 (a) |
| Spain | | | Sept. 13, 1968 (a) |
| Sri Lanka | | | Oct. 12, 1950 (a) |
| Sweden | Dec. 30, 1949 | May 27, 1952 | |
| Syrian Arab Republic | | | June 25, 1955 (a) |
| Tanzania | | | Apr. 5, 1984 (a) |
| Togo | | | May 24, 1984 (a) |
| Tonga | | | Feb. 16, 1972 (a) |
| Tunisia | | | Nov. 29, 1956 (a) |
| Turkey | | | July 31, 1950 (a) |
| Ukrainian SSR | Dec. 16, 1949 | Nov. 15, 1954 | |
| Union of Soviet Socialist Republics | Dec. 16, 1949 | May 3, 1954 | |
| United Kingdom | | | Jan. 30, 1970 (a) |
| United States of America | Dec. 11, 1948 | | |
| Upper Volta | | | Sept. 14, 1965 (a) |
| Uruguay | Dec. 11, 1948 | July 11, 1967 | |
| Venezuela | | | July 12, 1960 (a) |
| Viet Nam | | | June 9, 1981 (a) |
| Yugoslavia | Dec. 11, 1948 | Aug. 29, 1950 | |
| Zaire | | | May 31, 1962 (d) |

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But opponents of the Convention, while not necessarily agreeing that the proposed understandings and reservations were in themselves adequate, also warned that once the Treaty was ratified, international courts would hold precedence over even the U.S. Supreme Court, and would be able to apply their own interpretations to the wording of the treaty. While the United States might decide to act independently, and break with the treaty by refusing extradition of accused persons, this potential of last resort would be of no value to any individual already extradited, when different interpretations were applied by the international court before which he or she was standing trial. As James J. Kilpatrick has explained:

> The convention commits the signatories to adopting legislation "in accordance with their respective Constitutions" – note the language – providing for the punishment of public officials or private individuals who commit any of the prohibited acts. Such persons would be tried in the country in which the acts committed "or by such international tribunal as may have juridsiction with respect to those contracting parties which shall have accepted its jurisdiction."
>
> Under Article IX of the convention – and this is one of the serious sticking points – questions of interpretation and state responsibilities "shall be submitted to the International Court of Justice at the request of any of the parties to the dispute."
>
> A threshold problem is that our own Constitution, in defining the supreme law of our land, says that the supreme law includes treaties "made under the authority of the United States." This convention would be such a treaty. It would bind all state and federal judges."(5)

The implications of the transfer to international tribunals of the power to demand extradition of private individuals from their home countries, for trial in an international court under legal procedures possibly lacking the safeguards of the country in which they resided, led Senator Symms to warn:

> I think another issue that should be raised in connection with the Genocide Treaty is the level of Jewish support for its passage. And I would not purport to come to the floor and claim to be an expert in this area. I have the highest respect for my dear colleague from Minnesota. He may not

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> agree with what I am about to say, but my office has been contacted by an organization entitled "Jews for Morality," based in New York, with a membership of several thousand. This organization is strongly supportive of family values and is conservative on defense and foreign policy matters. Their spokesman pointed out the fact that the Daily World, which is the major Communist Party paper in the United States, has run articles for years with headlines like "Stop Israeli Genocide"...It simply gives a terrific propaganda tool to the anti-Israeli elements and to the Third World pawns for the Soviets. (6)

Clearly, members of political, religious or ethnic groups that exerted great political influence in their own country might well be able to fight extradition successfully, but the law is supposed to protect all persons with equality, and individuals lacking political clout would not have the same possibility of expecting their nation to resist international pressure when they found themselves accused before an international tribunal.

The question may, indeed, be asked at this stage whether anyone really benefits from the Genocide treaty. As has been said by its opponents, the Convention does not give human rights to anyone, but it does deprive individuals throughout the world of the protection of whatever constitutional benefits their own country might presently extend to them.

## FOOTNOTES

(1) Frank E. Holman quoted in "The Genocide Convention vs. American Rights" by Phyllis Schlafly in *DAR Magazine,* December 1983.

(2) "International Convention on the Prevention and Punishment of the Crime of Genocide" 98th Congress 2nd Session, Senate, Exec. Rept. 98-50, September 24, 1984, Government Printing Office, Washington, D.C.

(3) "The Genocide Convention vs. American Rights" by Phyllis Schlafly, *DAR Magazine,* December 1983.

(4) "International Convention on the Prevention and Punishment of the Crime of Genocide" 98th Congress 2nd Session, Senate, Exec. Rept. 98-50, September 24, 1984, Government Printing Office, Washington, D.C.

(5) "The Helms Reservations" by James J. Kilpatrick, *The Washington Post,* September 19, 1984.

(6) Senator S. Symms, Congressional Record – Senate, p. S14048, October 10, 1984.

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## BOOK REVIEWS

### RUSSIA: BROKEN IDOLS, SOLEMN DREAMS

*David K. Shipler*
Times Books, 404 pp., $17.95

In a radio broadcast a short time following the signing of the German-Soviet non-aggression pact in late August 1939, Winston Churchill remarked that he could not forecast what Russia might do next because that country was "a riddle wrapped in a mystery inside an enigma." Today, some forty-five years later, our understanding of our foremost global adversary has improved, but not nearly enough given the nature of the relationship between the United States and Russia. Leaving aside our lack of understanding of the dynamics of Soviet politics, our understanding of the Russian people and Russian society is extremely limited. Most Americans mistakenly view Russians as being essentially like ourselves; that is, having similar aspirations and motivations as we do. It is widely thought that our societies are distinguished only by their respective political regimes. This view has led to a range of misperceptions about Soviet society. It is in this light that David Shipler's profile of the Russian people and their society, based on observations and interviews conducted during his four years as the New York Times chief correspondent in Moscow, is heartily welcomed.

Mr. Shipler's book thankfully avoids a pedantic discussion of Russian political institutions and the muddy details of Marxism-Leninism that provide their foundation. Instead, he penetrates the official veneer of Russian society by examining the main themes of Russian life and by revealing the inner workings of the Russian mind (the author chooses to extend the term Russia to embrace the entire Soviet Union). Artfully combining actual experiences and attitudes as expressed by ordinary Soviet citizens with his own insightful analysis, Mr. Shipler paints a portrait of Soviet life that is at once fascinating and alarming.

He describes a society that is emotionally and spiritually exhausted from decades of political repression. A society whose will has capitulated to the overpowering will of the political authority. A society where hope and aspiration have given way to resignation and fatalism. A society in which the

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future rarely lies much beyond the next day, even though it is ostensibly building utopia.

To his credit, Mr. Shipler takes us beyond mere description of this moribund condition by explaining its psychological and cultural origins as well as the more obvious political causes. The early chapters discuss how the education of children in the U.S.S.R., both in the school and in the family, instills in them an intellectual dependency and a psychological need for certainty and order. Attempts to challenge given ideas and practices, or attempts to probe into their causes are rebuffed by teachers as inappropriate behavior. Expressions of individual desires and needs, instinctive forms of child behavior, are seen as infecting the child's social consciousness and are therefore discouraged. Conformity is emphasized at the expense of original thought. The child is thus prepared for the docility that will be demanded of him in his adult life. The intended result of this early training, which of course includes heavy military and political indoctrination, is to create the "new Soviet man;" i.e. one who sublimates his individual ends to the ends of society. The practical result is to create a profound frustration and anxiety that is manifested in numerous forms of negative behavior, including alcohol abuse, dilletantism, and crime. What is not pointed out in the book is that Russian leaders, like all totalitarians, attempt to remake society by remaking individuals into "social beings." All attempts to eradicate individualism have dismally failed, with the most extreme attempts resulting in bloodlettings such as those which occurred in China in the 1960s and Cambodia in the 1970s.

In chapter 4 author Shipler discusses the hierarchical structure of the professed classless society. Contrary to the socialist dictum which asserts that each gives according to his ability and each receives according to his work (in the next stage of social development, full communism, each will, in theory, receive according to his needs), Mr. Shipler describes how each receives according to his connections, place of residence, party activity, family name, and a host of other criteria that have nothing to do with one's on-the-job performance. Privilege, which is found everywhere in society, takes on even greater proportions in a society where the availability of goods and services is sorely lacking. When combined with an economic system that inhibits upward mobility, the system of privilege

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contributes to the sense that one's destiny is completely out of his own hands, leading to frustration, resignation, and capitulation.

The most interesting and informative parts of the book are the final chapters in which Mr. Shipler brings us into the inner workings of the Russian mind. Here he outlines the three main forces that underlie contemporary Russian thinking: communism, Christianity, and patriotism. Without delving into the theoretical complexities of Marxism-Leninism, Mr. Shipler explains how the doctrine provides an enveloping singular truth, a complete system of explanation that relieves the people from having to contend with the perceived chaos of competing ideas. Never mind whether the doctrine's precepts are believed or not (for the most part they are not), they do fulfill a psychological need for order, continuity, and predictability – a need that was not created in 1917, but one grown out of centuries of authoritarian rule and devout religious belief. Indeed, belief in Marxism-Leninism has steadily eroded since the heady years following the revolution. This points out one of the many paradoxes of Russian thinking. On the one hand the precepts of the doctrine are no longer believed, while on the other hand the doctrine as a whole is accepted because it fulfills a deep seated psychological need. A phenomenon Mr. Shipler aptly describes as "the willing suspension of disbelief." Although not mentioned in the book, this psychological need explains why the Russian people tacitly accept blatantly false statements made by their government, such as those exhibited during the downing of the Korean airliner and the illness of Andropov. To disrupt the prevailing order by intellectually challenging the official line is simply too unnerving for the Russian mind.

The spiritual void that is left in Russian society as a result of the stifling social system and waning enthusiasm for Marxism-Leninism, Mr. Shipler tells us, is partially filled by a combination of religion and patriotism. Despite centuries of censure, including periods of outright persecution, the Orthodox Church has managed to survive. Worship, though not illegal, is discouraged by the authorities through an array of tactics ranging from job dismissal and blacklisting to showing popular Western films in theaters on Easter Sunday. To a regime whose legitimacy rests in the existence of a single purported truth, alternative truths are feared. Thus, Shipler writes on page 268, "In the drifting vacuum left by failing communism the church

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holds potential power – not institutionally but spiritually – that the Russian authority watches warily and seeks to contain."

The other important influence on Russian attitudes and behavior that is pointed out in the book is patriotism. This patriotism, however, is not for the land of Lenin and the Communist Party, but for "mother Russia." Here an important distinction is made between what is Russian and what is Soviet. Russia is actually only one of fifteen republics that comprise the Soviet Union. Ethnic Russians are but one of over one hundred ethnic and linguistic groups, albeit the dominant group. Many ethnic Russians view the Soviet Union as the product of *non-Russians* (e.g. Lenin, Stalin, Trotsky, Zinoviev, Kamenev). They view the communist government as antithetical to all that is Russian because of its absorption of other nationalities, its debasement of nationalism (except on a tactical basis), and its anti-religious beliefs. They view the communist culture as alien to the traditional Russian culture. Russian patriotism provides a link to the glorious past. It is one born from both centuries of suffering, deprivation, and threat at the hands of outsiders, and from pan-Slavism. It is a patriotism that arouses emotion in the people that we in the United States cannot fully appreciate; an emotion cynically manipulated by the government for its own purposes. The embodiment of this anti-communist sentiment is, of course, Solzhenitsyn.

Although Russian patriotism is an important component of contemporary Russian thinking, the fact is that the communists have effectively obscured Russian patriotism as an important influence on everyday life. Today, its appeal is more latent and potential than real. Solzhenitsyn was not permitted to become the same hero in Russia that he is here in the West.

The major omission in the book comes at the very end. After brilliantly portraying life in the Soviet Union, and exposing the inner workings of the Russian mind, Mr. Shipler does not offer his insights as to what all of this portends for the future. Will the U.S.S.R. continue on its path of spiritual erosion? Are there any prospects for liberalization? Is communism destined to the ash heap of history? Such questions are raised by the book but are not answered. While the book equips the reader to formulate his own answers, it would have been illuminating to read the author's views.

Notwithstanding this minor deficiency, the author has

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written a book that is rich in analysis and explanation, and while it does not solve the dilemma articulated by Churchill, it is an important contribution to our understanding of life in the U.S.S.R. Although written for a general audience, scholars and policymakers will find much valuable material here without having to endure the stilted writing style of most scholarly work. The book should be high on the reading list of anyone wishing to expand their understanding of the Soviet Union.

Richard Brown
*New York University*

**WALTER E. WILLIAMS**
*The State Against Blacks*
New York: McGraw-Hill Book Company (New Press), 1982.

Observing the verbal fusillades the civil rights leadership continually fires at the Reagan Administration, it is apparent that it is as committed as it ever was to the belief that only government intervention on a massive scale can improve the status of American blacks. It is the orthodoxy that the black economist Walter E. Williams has labored to overturn in his various books and articles. In *The State Against Blacks* Williams convincingly shows that much government intervention, instead of being beneficial to blacks, actually hinders their upward advancement. Williams amply documents this thesis by analysing the impact on blacks of a number of regulatory practices — minimum wages, occupational and business licensing, government-sanctioned union monopolies — concentrating on those occupations where the negative effects on blacks have been particularly obvious, such as taxicab drivers, plumbers, electricians, railroad workers, truckers.

According to the author's interpretation of history, when economic regulation originated at the turn of the century, its expressed purpose was to restrict black employment. He claims that the proponents of this legislation realized that the restriction of blacks could be achieved by nominally racially-neutral legislation such as minimum wages and credentialing. Although the views of employers at this time were quite as race-oriented as other segments of American society, he believes that the dictates of the marketplace (i.e., blacks worked for lower wages

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than whites) caused many of them to hire blacks, who were very numerous in certain occupations like railroad workers. With the onset of government regulations inhibiting the use of less costly labor, Williams argues that the economic advantage of employing blacks no longer existed and employers began to hire according to their racial preferences.

Although Williams says that government is no longer anti-black, he claims that the effect on blacks of such regulations remains. Government regulations which require credentials, restrict entry and set minimum wages serve to impede the employment and advancement of people who are unskilled, a category in which blacks are disproportionately represented. Today, as at the turn of the century, blacks could best compete economically by offering less costly services, but such competition is precluded by government regulations.

The thrust of this last argument seems to be impeccable in terms of both logic and empirical evidence. Williams does, however, make two secondary points which are open to question. The first concerns the use of preferential treatment for minorities — "reverse discrimination", and "affirmative action". Williams writes that unless government-sanctioned impediments to black employment are lifted, racial "quotas may constitute a 'second best' solution". (p. 123) Williams implies in essence, that racial quotas act to compensate blacks for other state-imposed disadvantages.

This argument for compensation is erroneous since it would lead to the logical conclusion that the only alternative to absolute laissez-faire is, ultimately, absolute government control. This would be the case because every piece of government intervention would harm the interests of some people, who would then require compensation by additional government intervention which would harm other people, who would require compensation, *ad infinitum*. Such logic, of course, is anathema to those who seek to reduce the welfare state, or at least prevent its expansion.

Williams' second controversial point concerns his solution to the problem of state-enforced economic handicaps for blacks. Emphasizing the potent political power of the special economic interest groups supporting government regulations, Williams looks to the judiciary, rather than to Congress or the state legislatures, as the vehicle by which to achieve economic deregu-

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lation. Until the late 1930s, Williams points out, the Supreme Court had been a bastion of laissez-faire, often thwarting the interventionist efforts of elected officials. While not expecting a return to this golden age, Williams finds hope in the Supreme Court's "effects standard" interpretation of Title VII of the Civil Rights Act of 1964, which outlaws employment practices having an adverse impact on blacks, regardless of the practices' intent, if they cannot be shown to be job-related.

The courts and the Equal Employment Opportunity Commission have only applied this "effects standard" to employers, but Williams would extend it to market-restricting government regulations. This logic would seem to be incontestable, though it must be pointed out that logic has not loomed large in most decisions of the judiciary. Moreover, the "effects standard" is wholly a creation of the courts, there being no evidence that Congress intended such a standard in Title VII. While this reviewer is skeptical of relying on the courts, Williams must be commended for offering thought-provoking arguments.

Stephen J. Sniegoski

**GRAHAME CLARK**
*The Identity of Man*
Methuen & Co., London, 1983.

Sociologists, political scientists and economists all tend to believe that they hold in their respective sciences the ultimate key to understanding the nature of man and of civilization. However, *The Identity of Man* is a book which may be read with benefit by scholars from any of these disciplines, since it places in perspective the conclusions of one of the world's most renowned archaeologists concerning the nature of man and those civilized qualities which distinguish man from the other animals. It has the virtue of being written by someone who has had the most intimate contact possible with the civilizations of the past. Author Grahame Clark has had the unique experience of being the first man to have contact with the remnants of so many past civilizations, by uncovering them from the entombment of centuries, sometimes of millenia.

Viewed from the basis of these remarkable qualifications, we would have expected comments of no mean value. But in *The Identity of Man* we have statements which will shock the

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moralists of our contemporary world – provided they make the effort to discover the book. Archaeologist Clark removes himself from the world of the past – which has been so intimately and personally his living world – to compare it with the present and so ensure that his comments on the history of civilization should have relevance to the denizens of this present century.

Thus Clark rebels against the prevailing theme of the "universality" of man and culture. He states flatly: "Men have not attained to human dignity by sharing a generalized culture, nor have reached their peaks of attainment by achieving the abstract status of being civilized. They have achieved humanity by sharing specific cultures and particular civilizations. The concept of values can only be entertained in terms of specific cultural traditions. As it was well put many years ago, a man can only experience the values of civilization by being 'within the living currents of his own civilization...it is only as active participants in the life of a civilization still being enacted that values as such enter into the picture.' The point of view adopted in the present book has been elegantly expressed by the anthropologist Clifford Geertz: "To be human .. is thus not to be Everyman; it is to be a particular kind of man."

The process by which man became human, as distinct from animal, beyond the modest level of the Lower Palaeolithic, was the outcome of diversity and inequality. These two factors, resulting in the creation of *different* cultures, were responsible for the birth of the diverse and rich civilizations which have graced the record of human achievement. The ultimate danger today facing humanity is its *dehumanization,* as a result of "the birth of the world community which threatens to homogenize and dehumanize mankind." Indeed, notwithstanding the false values of the 'Gardarene swine', "people at large value their heritage, enjoy the complexities of social life, cling to their identity as groups, and are determined however confusedly to defend their dignity as persons against the forces of anonymity and homogenization."

Thus, the author writes:

> In undermining diversity the process of homogenization serves to destroy the entities in and through which men have traditionally achieved and expressed their humanity... As seen from the standpoint of the present book the opposition could be expressed in more controversial terms

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as between those whose prime concern is with the values which distinguish men from apes, in other words with the dignity of man, and those prepared to treat men as though they shared much the same aims as caterpillars.

He observes that:

> One of the biggest and most salutory shocks to liberal concern has been encountered in the field of race relations.
>
> The notion that blacks would find fulfillment in being accepted as whites was in itself a survival of a mentality fostered by nineteenth century ethnography and evolutionism.

The following excerpts illustrate in the author's own words, the contents of this remarkable publication:

> The fact remains that inequality is a feature of all civilized societies, though taking a variety of forms. Perfect equality is generally recognized to be unattainable except at a totally unacceptable price, completion of the process of dehumanization. Professor Ralf Dahrendorf's endorsement of Immanuel Kant's pronouncement that 'inequality among men' should be considered a 'rich source of much that is evil, but also of everything that is good' expressed most of what needs saying.
>
> This does not prevent Marxist propaganda from repeating the ancient myth that only the workers create what is exploited by the upper classes. In the brief foreword to the finely illustrated book, widely distributed in conjunction with the recent exhibition of Chinese art and archaeology shown at centers in the West, the ritual bronze vessels of the Shang dynasty were hailed as demonstrating the "intelligence and creative ability of the slaves [*sic*].' The suits, each made of 2000 or more finely cut jade plates joined by gold wire, in which Prince Liu Sheng of the Western Han dynasty and his wife were buried, each estimated to represent the equivalence of more than ten years' work by a skilled artisan, were held to 'glaringly expose the luxury and decadence of the feudal ruling class, and their inhuman exploitation of the working people.'
>
> Without a hierarchial structure, without a marked degree of inequality in consumption, the astonishing diversity of Chinese, Egyptian or Anglo-Saxon culture would

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> never have developed. This is not a matter of speculation. We know what the culture of China, Egypt, or Britain was like before class societies developed in these lands. Archaeology tells us much about their prehistoric peasant populations. They were relatively egalitarian. They were illiterate. And their material products by comparison with the fine things produced in the ambience of class societies were as dull as those used by the lower classes in Shang China.

Such paragraphs exemplify the electrifying and astonishing candor of this distinguished author whose previous works have been landmarks of technical scholarship. This is clearly a book with which all who seek to profess some familiarity with the social, political and economic sciences should be more than casually acquainted.

**A.C. HADDON**
*The Wanderings of Peoples*
Cliveden Press, Washington, D.C., 1984.

A handsomely illustrated edition of a classic work by one of the great names of anthropology. This edition includes some seventy photographs of persons of diverse racial and ethnic background, to supplement the five original maps summarizing the movements of peoples through prehistory and history — one for each of the major continents.

The author traces the movement of the Germanic and Keltic people in Europe in prehistoric and early historic times, as well as the expansion of the Slavs and the Huns and Avars. The incursions of the Turks are summarized, and the persistence of the Alpine and Mediterranean populations is defined.

In Africa Haddon shows how the ancient Bushmen were largely displaced by an expansion of the Negroid Bantu, and how the pygmies were restricted by the expansion of horticulture. The major influence of the Hamites, and lesser influences of the Semites, in North Africa, the Sudan, and East Africa are well documented, and considerable space is devoted to the origins and developing history of Egypt and the Nile Valley. The cultural perspectives of the Fulani and Ashanti, Masai and Galla are also clearly portrayed.

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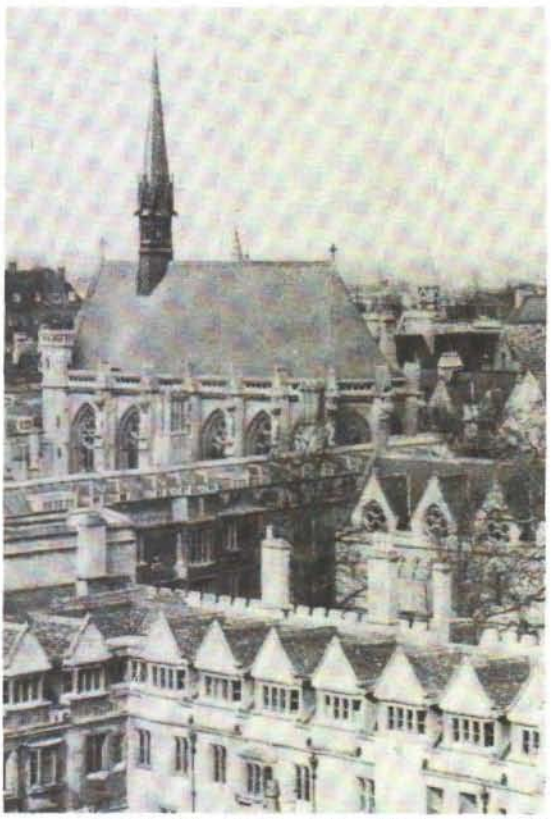

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